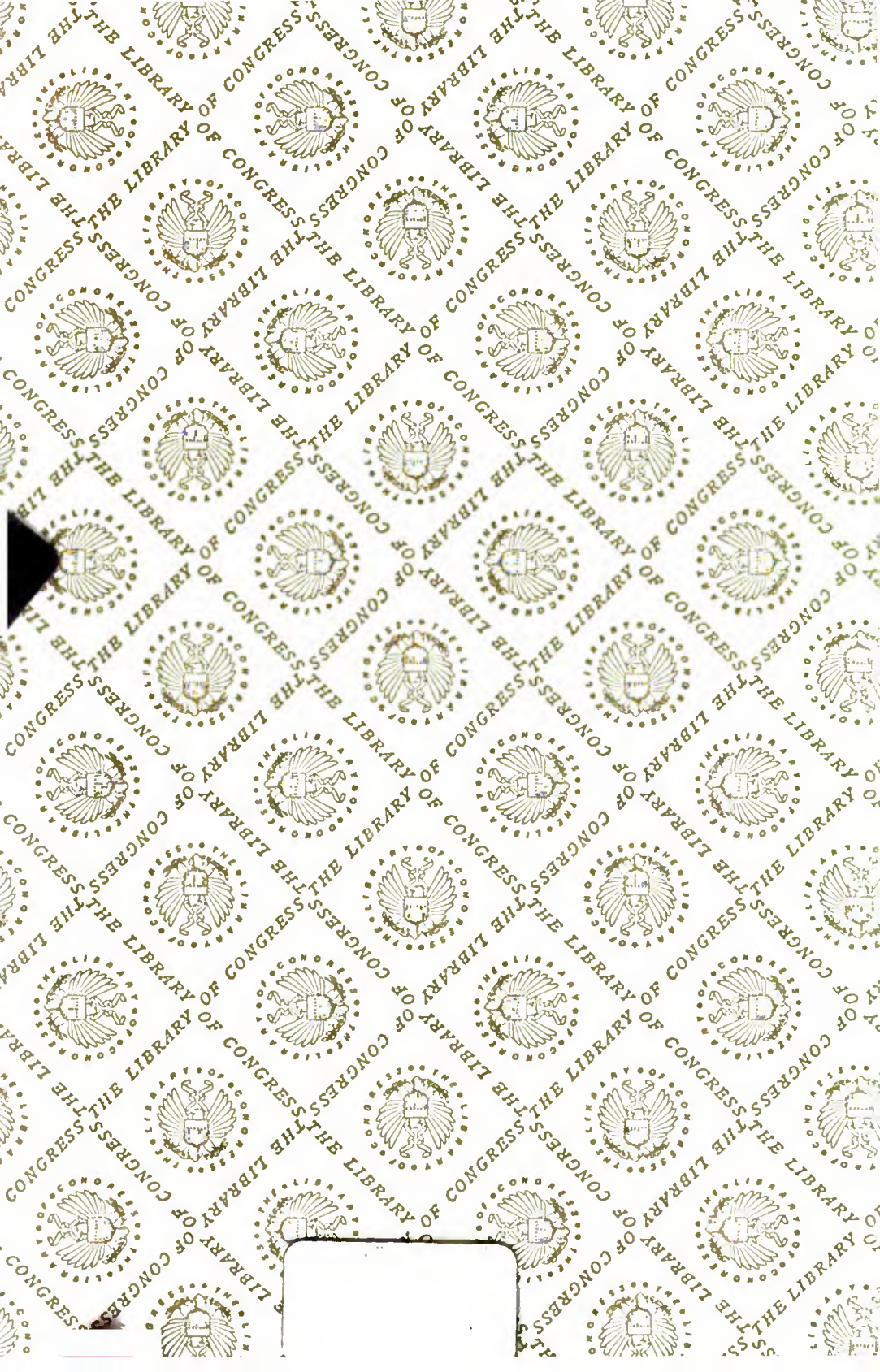
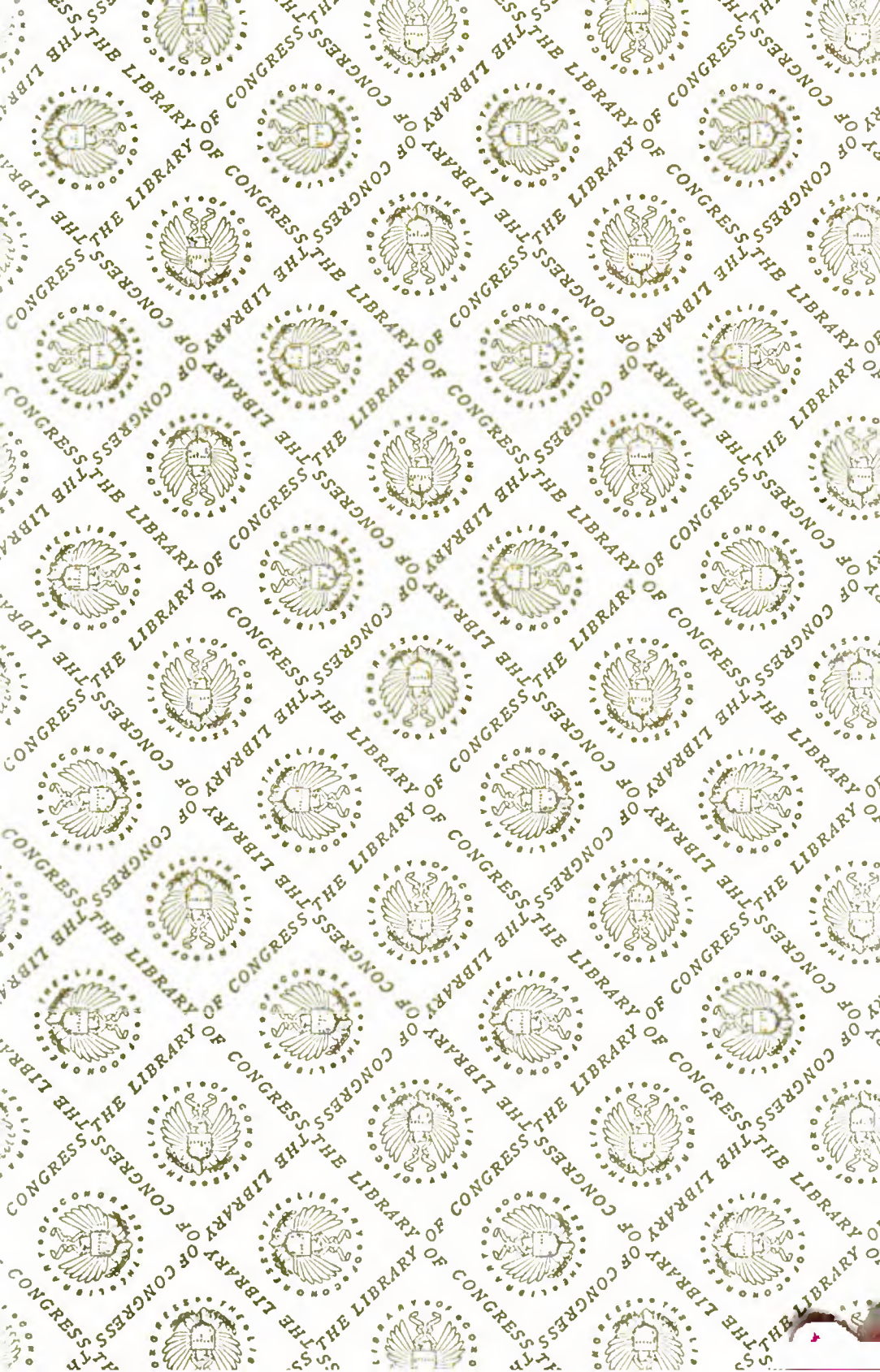


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HEARING
BEFORE THE
SUBCOMMITTEE ON CRIMINAL JUSTICE
OF THE
COMMITTEE ON THE JUDICIARY
HOUSE OF REPRESENTATIVES
NINETY-SEVENTH CONGRESS
SECOND SESSION
ON
H.R. 352, H.R. 6105, H.R. 6946, and S. 2043
FALSE IDENTIFICATION

MAY 5, 1982

Serial No. 124



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FALSE IDENTIFICATION

WEDNESDAY, MAY 5, 1982

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON CRIME
OF THE COMMITTEE ON THE JUDICIARY,
Washington, D.C.

The subcommittee met, pursuant to notice, at 9:30 a.m., in room 2237, Rayburn Office Building, Hon. William J. Hughes (chairman of the subcommittee) presiding.

Present: Representatives Hughes and Sawyer.

Staff present: Hayden W. Gregory, chief counsel; Eric E. Sterling, assistant counsel; and Deborah K. Owen, associate counsel.

Mr. HUGHES. The Subcommittee on Crime of the House Judiciary Committee will come to order.

This morning the Subcommittee on Crime is looking into the problem of false identification. False identification, as we shall hear, is involved in frauds against Federal and State governments and ultimately Federal and State taxpayers, including those hard-working men and women who pay into the social security trust funds.

False identification eases the way for millions of dollars in thefts through check forgery and other frauds that result in higher financial service charges to consumers. False identification is used by drug smugglers to elude prosecution, and to travel abroad carrying loads of cash to be laundered. False identification is used by criminals who are buying firearms and do not want their true identity to be recorded.

Obviously, most of these acts are already crimes in their own right, such as making a misrepresentation in obtaining a firearm. But there is also an underworld business that manufactures the identification. That business has found some loopholes to exploit—they merely expedite the commission of hosts of these types of crimes. But as we shall hear, even the perpetrators of these frauds are not likely to be apprehended.

[Copies of H.R. 352, H.R. 6105 H.R. 6946, and S. 2043 follow:]

97TH CONGRESS
1ST SESSION

H. R. 352

To amend title 18 of the United States Code to revise and improve the laws
controlling false identification crimes.

IN THE HOUSE OF REPRESENTATIVES

JANUARY 5, 1981

Mr. HYDE introduced the following bill; which was referred to the Committee on
the Judiciary

A BILL

To amend title 18 of the United States Code to revise and
improve the laws controlling false identification crimes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "False Identification
4 Crime Control Act of 1981".

5 SEC. 2. Chapter 47 of title 18, United States Code, is
6 amended by adding at the end thereof the following new
7 sections:

1 **"§1028. Use of false documents or false use of official**
2 **documents to obtain official identification**

3 **"(a) Whoever, for the purpose of obtaining for himself or**
4 **another any official documents or paper of the United States,**
5 **or any agency or department thereof, involving an element of**
6 **identification, knowingly uses or supplies false information,**
7 **false or falsified documentation, or any document or paper**
8 **evidencing or purporting to evidence the birth or identity or**
9 **entry into the United States of any individual other than the**
10 **individual officially intended to be documented thereby, shall**
11 **be fined not more than \$10,000, or imprisoned not more than**
12 **five years, or both.**

13 **"(b) Whoever, for the purpose of obtaining for himself or**
14 **another, any official document or paper of any State (includ-**
15 **ing any political subdivision thereof) or any agency or depart-**
16 **ment thereof, involving an element of identification, travels in**
17 **interstate or foreign commerce or knowingly utilizes or**
18 **causes to be utilized any facility in interstate or foreign com-**
19 **merce, including the mail, to send, transport, transmit, carry,**
20 **deliver, or otherwise move in interstate or foreign commerce**
21 **any false information, false or falsified documentation, or any**
22 **document or paper evidencing or purporting to evidence the**
23 **birth or identity or entry into the United States of any indi-**
24 **vidual other than the individual officially intended to be docu-**
25 **mented thereby, shall be fined not more than \$10,000, or**
26 **imprisoned not more than five years, or both.**

1 **"§ 1029. Production, sale, or transmission of false docu-**
2 **ments to be used, or sale or transmission of**
3 **official documents used or intended to be**
4 **used falsely, in obtaining official**
5 **identification**

6 **"(a) Whoever, for a monetary or other consideration—**

7 **"(1) falsely makes, forges, counterfeits, or alters,**
8 or uses in violation of a Federal or State statute, or a
9 regulation, rule, or order issued pursuant thereto, any
10 official document or paper of the United States, or any
11 agency or department thereof, involving an element of
12 identification;

13 **"(2) falsely makes, forges, counterfeits, or alters,**
14 or uses in violation of a Federal or State statute, or a
15 regulation, rule, or order issued pursuant thereto, any
16 official document or paper of any State (including any
17 political subdivision thereof), or any agency or depart-
18 ment thereof, involving an element of identification,
19 knowing that such document or paper is being used or
20 is intended for use in obtaining any official document
21 or paper of the United States, or any agency or de-
22 partment thereof, involving an element of identification;
23 or

24 **"(3) sells, transfers, or otherwise delivers any**
25 such document or paper of the United States or of any
26 State knowing such document or paper to have been so

1 made, forged, counterfeited, or altered or is being or is
2 intended to be used to obtain an official document of
3 the United States, involving an element of identifica-
4 tion; shall be fined not more than \$10,000, or impris-
5 oned not more than five years, or both.

6 “(b) Whoever travels in interstate or foreign commerce
7 or utilizes or causes to be utilized any facility in interstate or
8 foreign commerce, including the mail, to send, transmit,
9 carry, deliver, or otherwise move in interstate or foreign
10 commerce any document or paper purporting to be an official
11 document or paper of the United States or any State (includ-
12 ing any political subdivision thereof), or any agency or de-
13 partment thereof, involving an element of identification
14 knowing that such document or paper has been falsely made,
15 forged, counterfeited, or altered, or is being or is intended to
16 be used in violation of a Federal or State statute, or a regula-
17 tion, rule, or order issued pursuant thereto, shall be fined not
18 more than \$10,000, or imprisoned not more than five years,
19 or both.

20 “(c) Whoever, with the intent to defraud, receives, pos-
21 sesses, uses, furnishes, or attempts to receive, possess, use,
22 or furnish to another, any false, forged, counterfeited, or al-
23 tered document or paper purporting to be of the United
24 States, or any agency or department thereof, or of any State
25 (or any political subdivision thereof) knowing that such docu-

1 ment or paper is being used or is intended for use in obtaining
2 any official document or paper of the United States, or any
3 agency or department thereof, involving an element of identi-
4 fication, shall be fined not more than \$10,000, or imprisoned
5 not more than five years, or both."

6 SEC. 3. Nothing contained in this Act shall apply to any
7 action taken pursuant to the provisions of title V of the Orga-
8 nized Crime Control Act of 1970, or of any regulation, rule,
9 or order issued pursuant thereto, or to authorized investiga-
10 tive or intelligence activities of law enforcement or intelli-
11 gence agencies. Nor shall anything in this Act apply to the
12 otherwise lawful use by the recipient of identity documents
13 received pursuant to the provisions of title V of the Orga-
14 nized Crime Control Act of 1970, or of any regulation, rule,
15 or order issued pursuant thereto, or received in connection
16 with authorized investigative or intelligence activities of law
17 enforcement agencies or intelligence agencies.

18 SEC. 4. The analysis of chapter 47 of title 18, United
19 States Code, is amended by adding at the end thereof the
20 following new items:

"1028. Use of false documents or false use of official documents to obtain official
identification.

"1029. Production, sale, or transmission of false documents to be used, or sale or
transmission of official documents used or intended to be used
falsely, in obtaining official identification."

Committee on the Judiciary
House of Representatives

Referred to Sub. on Crime
Chairman, Hon. William J. Hughes
Counsel, Hayden W. Gregory

Date - 4/12/82

97TH CONGRESS
2D SESSION

H. R. 6105

To amend title 18, United States Code, to provide criminal penalties for the mailing of identification documents bearing a false birth date.

IN THE HOUSE OF REPRESENTATIVES

APRIL 6, 1982

Mr. SAWYER introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 18, United States Code, to provide criminal penalties for the mailing of identification documents bearing a false birth date.

1 - *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That (a) chapter 83 of title 18, United States Code, is
4 amended by adding at the end thereof the following new sec-
5 tion:

1 "§ 1738. Identification documents bearing a false birth
2 date

3 "(a) Whoever willfully uses the mails for the mailing,
4 carriage in the mails, or delivery of any identification docu-
5 ment which bears a birth date purported to be that of the
6 person named in such identification document and which has
7 not been verified pursuant to subsection (b) shall be fined not
8 more than \$1,000, imprisoned not more than one year, or
9 both.

10 "(b) For purposes of subsection (a), an identification doc-
11 ument is verified if the sender obtains adequate assurances
12 stating that—

13 "(1) the birth date purported to be that of the
14 person named in such identification document is the
15 date of birth of such person; or

16 "(2) such person is twenty-one years of age or
17 older.

18 "(c) It is a defense to this section if, with respect to the
19 identification document involved—

20 "(1) the birth date purported to be that of the
21 person named in such identification document is the
22 date of birth of such person;

23 "(2) such person was twenty-one years of age or
24 older on the date such identification document was
25 mailed; or

1 “(3) such identification document was mailed in
2 the course of business by—

3 “(A) an agency of the United States, of a
4 State, or of a unit of local government of a State;

5 “(B) a physician registered or licensed by a
6 State; or

7 “(C) a hospital or medical clinic licensed by
8 a State.

9 “(d) For purposes of this section—

10 “(1) the term ‘adequate assurances’ means an offi-
11 cial certification or communication, in writing, from—

12 “(A) an agency of the United States, of a
13 State, or of a unit of local government of a State;

14 “(B) a physician registered or licensed by a
15 State; or

16 “(C) a hospital or medical clinic licensed by
17 a State.

18 “(2) the term ‘identification document’ means a
19 card, certificate, or paper intended to be used primarily
20 to identify an individual; and

21 “(3) the term ‘State’ means any of the several
22 States or any territory or possession of the United
23 States.”.

1 (b) The table of sections at the beginning of chapter 83
2 of title 18, United States Code, is amended by adding at the
3 end thereof the following new item:

“1738. Identification documents bearing a false birth date.”.

4 SEC. 2. Section 3001(a) of title 39, United States Code,
5 is amended by striking out “or 1718” and inserting in lieu
6 thereof “, 1718, or 1738”.

7 SEC. 3. The amendments made by this Act shall take
8 effect 180 days after the date of the enactment of this Act.

97TH CONGRESS
2D SESSION

H. R. 6946

To amend title 18 of the United States Code to provide penalties for certain false identification related crimes.

IN THE HOUSE OF REPRESENTATIVES

AUGUST 5, 1982

Mr. HUGHES (for himself, Mr. HYDE, Mr. SAWYER, Mr. KASTENMEIER, Mr. GLICKMAN, Mr. FISH, and Mr. KINDNESS) introduced the following bill; which was referred to the Committee on the Judiciary

A BILL

To amend title 18 of the United States Code to provide penalties for certain false identification related crimes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*
3 That this Act may be cited as the "False Identification
4 Crime Control Act of 1982".

5 SEC. 2. Chapter 47 of title 18 of the United States
6 Code is amended by adding at the end the following:

1 "§ 1028. Fraud and related activity in connection with
2 identification documents

3 "(a) Whoever, in a circumstance described in subsection
4 (c) of this section—

5 "(1) knowingly and without lawful authority pro-
6 duces an identification document or a false identifica-
7 tion document;

8 "(2) knowingly transfers an identification docu-
9 ment or a false identification document knowing that
10 such document was stolen or produced without lawful
11 authority; or

12 "(3) knowingly produces, transfers, or possesses a
13 document-making implement with the intent such docu-
14 ment-making implement will be used in the production
15 of a false identification document or another document-
16 making implement which will be so used;

17 or attempts to do so, shall be punished as provided in subsec-
18 tion (b) of this section.

19 "(b) The punishment for an offense under subsection (a)
20 of this section is—

21 "(1) a fine of not more than \$25,000 or imprison-
22 ment for not more than five years, or both, if the of-
23 fense is—

24 "(A) the production or transfer of an identifi-
25 cation document or false identification document
26 that is or appears to be—

1 “(i) an identification document issued by
2 or under the authority of the United States;
3 or

4 “(ii) a birth certificate, or a driver’s li-
5 cense or personal identification card;

6 “(B) the production or transfer of more than
7 five identification documents or false identification
8 documents; or

9 “(C) an offense under paragraph (3) of such
10 subsection; and

11 “(2) a fine of not more than \$15,000 or imprison-
12 ment for not more than three years, or both, if the of-
13 fense is any other production or transfer of an identifi-
14 cation document or false identification document.

15 “(c) The circumstance referred to in subsection (a) of
16 this section is that—

17 “(1) the identification document or false identifica-
18 tion document is or appears to be issued by or under
19 the authority of the United States or the document-
20 making implement is designed or suited for making
21 such an identification document or false identification
22 document; or

23 “(2) the production, transfer, or possession prohib-
24 ited by this section is in or affects interstate or foreign
25 commerce, or the identification document, false identifi-

1 cation document, or document-making implement is
2 transported in the mail in the course of the production,
3 transfer, or possession prohibited by this section.

4 “(d) As used in this section—

5 “(1) the term ‘identification document’ means a
6 document made or issued by or under the authority of
7 the United States Government, a State, local or for-
8 eign government, or an international governmental or
9 quasi-governmental organization which, when complet-
10 ed with information concerning a particular individual,
11 is of a type commonly accepted for the purpose of
12 identification of individuals;

13 “(2) the term ‘produce’ includes alter, authenti-
14 cate, or assemble;

15 “(3) the term ‘document-making implement’
16 means any implement or impression specially designed
17 or primarily used for making an identification docu-
18 ment, a false identification document, or another docu-
19 ment-making implement;

20 “(4) the term ‘personal identification card’ means
21 an identification document issued by a State or local
22 government solely for the purpose of identification; and

23 “(5) the term ‘State’ includes the District of Co-
24 lumbia, the Commonwealth of Puerto Rico, and any
25 other possession or territory of the United States.

1 “(e) This section does not prohibit any lawfully author-
2 ized investigative, protective, or intelligence activity of a law
3 enforcement agency of the United States, a State, or a subdi-
4 vision of a State, or of an intelligence agency of the United
5 States, or any activity authorized under title V of the Orga-
6 nized Crime Control Act of 1970 (18 U.S.C. note prec.
7 3481).”.

8 SEC. 3. The table of sections at the beginning of chapter
9 47 of title 18 of the United States Code is amended by
10 adding at the end the following:

“1028. Fraud and related activity in connection with identification documents.”.

97TH CONGRESS
2D SESSION

S. 2043

To amend title 18, United States Code, to provide criminal penalties for the mailing of identification documents bearing a false birthdate.

IN THE SENATE OF THE UNITED STATES

FEBRUARY 2 (legislative day, JANUARY 25), 1982

Mr. HUMPHREY introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To amend title 18, United States Code, to provide criminal penalties for the mailing of identification documents bearing a false birthdate.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 That (a) chapter 83 of title 18, United States Code, is
4 amended by adding at the end thereof the following new sec-
5 tion:

6 "§ 1738. Identification documents bearing a false birth-
7 date

8 "(a) Whoever willfully uses the mails for the mailing,
9 carriage in the mails, or delivery of any identification docu-
10 ment, certificate, paper, or card intended primarily for identi-

1 fication purposes, which bears a birthdate purported to be
2 that of the person identified, which has not been verified pur-
3 suant to subsection (b), shall be fined not more than \$5,000
4 or imprisoned not more than ten years, or both.

5 “(b) For purposes of subsection (a), an identification doc-
6 ument is verified if the sender obtains adequate assurances
7 that—

8 “(1) the birthdate is an accurate reflection of the
9 date of birth of the person purported to be identified; or

10 “(2) that the person purported to be identified is
11 twenty-one years of age or older.

12 For purposes of this subsection, adequate assurances means
13 an official written certification or communication, on official
14 stationery, if applicable, from the Federal Government, any
15 State government, any town, city, or municipal government,
16 a physician registered or licensed with any State, or any hos-
17 pital or clinic licensed within a State.

18 “(c) It is an affirmative defense to this section if—

19 “(1) the date of birth of the person purported to
20 be identified is the date indicated on the identification;

21 “(2) the person purported to be identified was
22 twenty-one years or older on the date the identification
23 was mailed; or

24 “(3) the identification was mailed in the course of
25 routine business by the Federal Government, any State

1 government, any town, city, or municipal government,
2 a physician registered or licensed with any State, or
3 any hospital or clinic licensed within a State.”.

4 (b) The listing for the table of sections of chapter 83 of
5 title 18, United States Code, is amended by adding at the end
6 thereof the following new item:

“1738. Identification documents bearing a false birthdate.”

7 SEC. 2. Section 3001(a) of title 39, United States Code,
8 is amended by striking out “or 1718” and inserting in lieu
9 thereof “, 1718, or 1738”.

Mr. HUGHES. Today, we are pleased to hear testimony from the sponsors of two of the major pieces of legislation that attempt to deal with this problem. Our distinguished colleague on the Judiciary Committee, Congressman Henry J. Hyde from Illinois has introduced H.R. 352 which we are considering today. He has been waging a fight to dramatize this issue for some 6 years.

Senator Gordon Humphrey from New Hampshire, the chairman of the Senate Subcommittee on Alcoholism and Drug Abuse, has introduced S. 2043, which focuses on the use of false identification by minors to purchase and consume alcoholic beverages.

Our distinguished colleague, the ranking Republican member of this subcommittee, Hal Sawyer of Michigan, has also introduced H.R. 6105, a companion bill to S. 2043, which has been referred to the Crime Subcommittee. We are also considering that bill today.

We are pleased that we will hear this morning from Richard P. Kusserow, the Inspector General of the Department of Health and Human Services who will be discussing the problem of fraud in obtaining social security numbers and the steps now being taken to deal with that aspect of the false identification problem.

The Department of Justice and the Department of the Treasury are ably represented this morning by John C. Keeney, the Deputy Assistant Attorney General for the Criminal Division and by Robert E. Powis, the Deputy Assistant Secretary of the Treasury for Enforcement who will be offering the Federal perspective on false identification as it relates to crimes and offenses under their particular jurisdiction and the administration's comments on H.R. 352 and H.R. 6105.

We are also pleased that Russell E. Booker, Jr., the director of the Virginia Bureau of Vital Records, and John C. Skelton, the administrator for investigative services for the Virginia Division of Motor Vehicles, have been able to come from Richmond to testify about what actually takes place at the State level where documentation unavoidably is sometimes issued to those who fraudulently seek it.

Our last witness is Arthur J. Bilek, the vice president and director of security for the First National Bank of Chicago, who is testifying on behalf of the American Bankers Association who will be explaining how this problem impacts on 13,000 banks in the United States.

The problem is widespread, and the fact that it is a large problem does not make it easy to solve. These bills, H.R. 6105 and H.R. 352, represent a renewed effort to tackle this problem which has lain dormant since the Federal Advisory Commission on False Identification reported its findings in 1976. Some observers suggest that false identification played the primary role in the financial crimes of somewhere between \$10 and \$15 billion in 1980 alone.

The Chair has received a request to cover parts of this hearing by television broadcast and radio broadcast and other similar methods; and in accordance with committee rule 5(a) permission will be granted unless there is objection. Is there objection?

Hearing none, the coverage is permitted.

I now recognize the ranking member and author of one of the bills before us.

Mr. SAWYER. Thank you, Mr. Chairman. I will not take up any of our time with a formal opening statement. I merely want to say that I read with shock the advertisements for these false ID's that are circulating. They put out everything from a replica of various States' driver licenses to Canadian health cards. Canada, of course, has national health insurance and even covers services in the United States, so these could be used to in effect pay a hospital bill in the United States. No one would discover the lack of authenticity of a card if the Canadian Health Service did not find out the number was a wrong number. In my State of Michigan, where the legal drinking age is 21, these things are pretty hot items on campuses.

Of course, 26,000 lives were lost by drunk driving last year. Underage drinking has been the major factor in that area so I would like to hear from the gentleman from Illinois, who I know has been pushing on this subject for some 6 years or so. Maybe he has the right combination. Thank you.

Mr. HUGHES. Thank you, Mr. Sawyer.

The subcommittee is pleased this morning to welcome Senator Gordon J. Humphrey, the senior Senator from New Hampshire. Senator Humphrey was elected to the U.S. Senate in 1978. He served in the U.S. Air Force and was a professional airline pilot. He is chairman of the prestigious Senate Subcommittee on Alcoholism and Drug Abuse and is the author of S. 2043, a bill to provide criminal penalties for mailing of identification documents bearing a false birth date.

Senator, we are very pleased to welcome you this morning.

Senator HUMPHREY. Thank you.

Mr. HUGHES. We have your statement which, without objection, will be made a part of the record, and you may proceed as you deem best.

TESTIMONY OF GORDON J. HUMPHREY, U.S. SENATOR FROM NEW HAMPSHIRE

Senator HUMPHREY. Thank you, Mr. Chairman, and good morning. I am very pleased to be with you this morning. I understand you have a number of witnesses, so I think I will defer reading my entire statement; but as you pointed out, my particular interest stems from my chairmanship of the Subcommittee on Alcoholism and Drug Abuse.

It turns out that a great many young people are able to obtain identification cards which look very authentic and which enable them to purchase alcoholic beverages before they are legally of age. Not only for themselves, of course, but for their friends as well; and the availability of these ID cards among other things translates into tragic automobile accidents involving death not only of minors but of many innocent parties as well.

My bill differs somewhat in its focus from the other bills before the committee this morning in that it is focused more sharply on the problem which I have outlined; and, Mr. Chairman, if I may and if you are interested, I would like to make available to the members this morning actual advertisements for the kinds of ID

cards sold through the mails which my bill and Congressman Sawyer's seeks to address.

It is really quite shocking when you look at it. They design these cards to be as authentic-looking as possible. Here is one advertisement that brags about how they manufacture individualized ID cards for each State to appear as much as possible like the driver's license issued by that State; and so if you are interested and if I may, I would like to pass this out.

Mr. HUGHES. I wonder if we can in some way duplicate that and make that part of the record.

Senator HUMPHREY. You are certainly welcome to.

Mr. HUGHES. Without objection I think that would be in order. [The material referred to follows:]

[From the Houston Chronicle, Mar. 21, 1982]

DOCUMENTS OF DECEIT: BIRTH CERTIFICATE SERVES AS "BREEDER" FOR ACQUIRING FALSE IDENTITY

(By Zarko Franks)

A common thread of deceit links the foreign spy, the welfare cheat, the terrorist, the hot-check writer, the fugitive, the imposter and the illegal alien: False identification.

And deceit is a two-edged sword: It's practiced by undercover narcs; the FBI agents who posed as Arab sheiks in the Abscam case used it; CIA agents use it.

Deceit is nothing new. In biblical times, Jacob hoodwinked his blind father Isaac to steal the blessing and birthright that rightfully belonged to Esau, the first-born son. In literature, Victor Hugo gave us Jean Valjean, the Christ-like fugitive who accomplished his deceit in 19th-century France merely by changing his name.

In the 20th century, the deceiver uses more sophisticated ploys. Rudolph Abel, the Soviet spy arrested in New York, used a dead man's passport to enter this country. The United States exchanged him later for U-2 pilot Gary Powers in a famous "spy-swap."

Welfare Queen Barbara Williams, 38, of Baldwin Park, Calif., who created 75 paper children in her scam with false birth certificates and false Social Security documents, used phony drivers' licenses and at least eight aliases in her \$240,000 ripoff.

Kristina Bersten, 26, a member of the Baader-Meinhof gang of terrorists in West Germany, used an altered Iranian passport to cross the Canadian border before she was caught in Vermont by federal authorities, then deported.

Bola Owajae, a Nigerian national, used nine different identities, supported with drivers' licenses issued to six different names, to realize \$35,000 from a hot-check spree in this area. He's in state prison now.

Saverio Ciavarella, 40, a fugitive from felony charges in Florida, had Texas driver's licenses in three names at the time of his arrest here by state police. He's still at large after he posted a \$10,000 bond here, then fled.

Frank Abagnale who claims he realized \$2.5 million by writing hot checks in 26 nations, says he posed as an airline pilot during his illicit adventures. Today, Abagnale is a consultant to banks and merchants on how to detect hot-check schemes. He says he used counterfeit and forged credentials in his crime spree.

Dimitrio Puga, a Mexican illegal alien, used a copy of a dead man's birth certificate in his application here for a Texas driver's license. He was arrested, then deported.

Five other illegal aliens used a copy of the same dead man's birth certificate. All claimed to be Jesus Casas, born in Harlingen. Casas died in Ben Taub Hospital on Aug. 28, 1974.

Three of the illegal aliens received their Texas driver's licenses before a computer check tripped them up, according to Texas state trooper Sgt. Lannie Rannals of the Houston office.

Vince Henderson, a U.S. Immigration and Naturalization Service investigator in the Houston district office, says there are numerous documented cases of multiple use of one dead man's birth certificate by as many as 25 illegal aliens.

An applicant for a Texas driver's license needs documentary evidence to confirm his identity. The document may be a birth certificate or a certified copy of the cer-

tificate, immigration papers, a military separation paper, a passport, an alien registration card, a life insurance policy or public school records.

The birth certificate, says state Trooper Rannals, is the most commonly used document, and it's the most easily obtainable.

The spurious birth certificate is known as the "breeder" document. With a copy of a dead man's birth certificate, you can quite easily obtain a valid Social Security number and a state-issued driver's license. With those two documents, you're in business to open a bank account and a charge account and apply for credit cards.

Don Carroll, chief of the Texas Bureau of Vital Statistics, says his office receives by mail daily about 1,500 requests for certified copies of birth certificates "from all over the nation."

Under the law, the bureau must issue the certified copy if an applicant gives accurately the date of birth, name of parents and place of birth.

That information, of course, is available in newspaper files and graveyard tombstones. The imposter's favorite ploy is to use the name of an infant who died while too young to have acquired a Social Security card or a driver's license.

The state and city and county registrars maintain files on births and deaths, but there is no cross-reference. So, if Joe Smith, born in Houston, dies in Morgan City, La., there is no record of his death in the registrar's office in Austin. The states have no reciprocal agreement to exchange information on deaths of citizens.

Just a year or so ago, the Texas Legislature passed a law to close a loophole in Texas birth and death record-keeping that is allowing welfare cheats and other law-breakers to establish false identities.

The law requires the cross-referencing of births and deaths of those who die before the age of 18.

So far, the births and deaths of infants who died before they reached the age of 1 have been cross-referenced, says Carroll of the Texas Bureau of Vital Statistics.

And it's an ill-kept secret that the bureau tips immigration authorities when a series of applications is received for a copy of one man's birth certificate.

An underworld market flourishes in the spurious birth certificate market. Carroll says, "We know that counterfeit certified copies of birth certificates are being printed which are purported to have been issued by the Texas Bureau of Vital Statistics.

He cited the case of a Roman Catholic priest, the Rev. Luis Herman Acevedo-Cuevas, who was sentenced to eight years in prison from Houston for selling for \$2,500 each a package of "spurious documents," including birth certificates, alien registration cards and Social Security cards to illegal aliens, most of them born in South America.

And a Dallas couple, Domingo and Anita Rodriguez, were sentenced to prison after they pleaded guilty to selling fraudulent birth certificates for \$700 to \$800 each to illegal aliens.

In Dallas last August, Pete Martinez, operator of Immigration Consulate Services and described as a "highly respected" businessman, was charged with the sale of false alien registration cards to an undercover agent.

The agent, posing as an illegal alien, said he had paid Martinez \$175 as a down payment for an alien registration card. This is the card the government issues to aliens who enter under the quota system, and it enables them to live and work in this country. After five years, the legal alien is eligible to apply for U.S. citizenship.

Federal agents at the time seized in Martinez's office more than 1,500 counterfeit Social Security cards, birth certificates and federal immigration papers, bearing the U.S. seal.

Martinez subsequently was convicted and sentenced to 18 months in prison.

The Social Security card is used by the illegal alien in applying for food stamps and welfare from the Aid for Families with Dependent Children program.

The programs, administered by state agencies, rarely, if ever, check the validity of a welfare applicant's Social Security card, according to federal investigators.

In the complex scenario of false identification, a new dimension is provided by Norman Kary, an intelligence agent with the U.S. Immigration and Naturalization Service regional office in Dallas. Kary's view suggests a dichotomy in the agency that is charged with preserving the integrity of our borders from illegal alien entry.

Kary: "The Mexican illegal alien will always be with us. He crosses the border surreptitiously, works here, and often goes back home. He often returns. True, he represents the highest percentage of illegal aliens here.

But, he's not our major problem. The greatest threat to our national security comes from natives from South American and Central American countries, Cuba, Colombia, Guatemala, Nicaragua, El Salvador, Iran and Libya—the subversives and the terrorists who enter illegally and create civil unrest, mixing in with local protest groups."

Look at the whole picture of fraudulent documentation, suggests Kary, from masquerade Abel to Ilich Sanchez Ramirez, known as Carlos, and "The Jackal," the internationally known assassin reputedly hired by Libya's strongman Moammar Khadafy in the much-bally-hoed White House leak, with little known substance, that President Reagan was marked for death by Khadafy. Carlos owns a U.S. passport, says Kary.

Prior to the takeover of the U.S. Embassy in Teheran and the taking of the hostages, says Kary, terrorists had stoned the U.S. consulate office in Tabriz, Iran, then broke in and stole the U.S. visa machine and the U.S. seal.

"With that equipment and stolen passports," says Kary, "They can process their own visas that are as legitimate looking as anything we issue."

The illegal entry of terrorists and subversives, says Kary, is of major concern today also to the Mexican government.

"They (the subversives) are using Mexico as a land bridge," says Kary, "And they are causing social problems within Mexico. And we must remember they can slip across the border just as easily as the Mexican illegal."

[From the Houston Chronicle, Mar. 22, 1982]

DOCUMENTS OF DECEIT: BOGUS SOCIAL SECURITY CARD FRAUD MOUNTS

(By Zarko Franks)

Genen Richardson, a bearded young federal investigator, says in a doomsday voice: "It's all very disturbing. In fact, as a citizen and a taxpayer, I think it's scary."

Richardson wasn't talking about the Russians coming. He was talking about the scope of fraud in Social Security and the welfare system by the use of false identification: phony Social Security cards, spurious birth certificates and state-issued driver's licenses and I.D. cards.

"The number of scams using phony Social Security cards is limited only by the imagination," says Richardson, chief investigator for the regional office in Dallas of the Inspector General for the U.S. Department of Health and Human Services.

The welfare cheat today is part of the fabric of our society. We've all read so many stories of welfare queens driving Mercedeses and wearing mink and diamonds that perhaps the national consciousness is numb from the sheer repetitiveness of the subject matter. The scope of the fraud suggests a betrayal of the commandments of morality.

Dorothy Woods, 39, and her husband, John, 50, who lived in a mansion outside of Los Angeles, pleaded guilty recently to welfare fraud and perjury.

They had bilked the state out of \$377,450 by listing 49 fictitious children on welfare claims. They had created their paper children with documents of deceit—false birth certificates and phony Social Security cards.

And Johnnie Morris, 35, and his wife, Francis, 39, of Lynwood, Calif., also pleaded guilty to bilking the state out of \$350,000.

The Morrises conceived on paper 235 fictitious children, also by using phony Social Security cards and forged birth certificates. They cashed the welfare checks, mailed to various post office boxes and so-called drops, with phony driver's licenses.

And remember the story of the double-dippers several years ago? A computer check disclosed that about 15,000 welfare recipients in 24 states, including Texas, were drawing welfare from more than one state simply by applying with the same name and same Social Security number.

"That this is so easy to do, makes it all scary," says Richardson.

The General Accounting Office, the investigative arm of Congress, reported in 1977 that 37,000 aliens were receiving \$72 million in welfare payments in a five-state area. "And there's no way to know how many of those are illegal aliens," said U.S. Sen Charles Percy, R-Ill., who made the GAO report public.

Within a recent six-month period in Texas alone, about 3,500 counterfeit Social Security cards, sold to illegal aliens for prices ranging up to \$500, were seized by authorities.

Eustolio Carrillo, 20, of Forth Worth, indicated to federal authorities he grossed \$45,000 selling false documents, including Social Security cards, in about five months.

In Los Angeles three years ago, federal investigators broke a ring, including Joseph J. Guzy, 55, a retired Los Angeles cop, which had sold an estimated 77,000

counterfeit Social Security cards to illegal aliens for prices ranging up to \$250 a card. Guzy, found guilty on a 26-count true bill, was given a 30-month prison term.

And GAO and inspector general's reports cite scores of cases of use of phony Social Security numbers in obtaining income tax refunds.

Two men obtained 425 Social Security numbers in the names of fictitious people, then filed 850 federal and state income tax returns, each claiming \$400 in refunds. They tapped the U.S. Treasury's till for \$180,000 before they were caught.

A former IRS employee used the same scheme, obtaining a Social Security number under an alias, and cashed three refund checks totaling \$563,340 before he was caught.

Any report on the use of false identification is an endless one; too many pieces are missing in the vast jigsaw puzzle of deceit.

The story comes to mind of a U.S. Army criminal investigator during World War II in Paris who threw up his hands in despair after an entire battalion was arrested for black marketeering and held at the Paris Detention Barracks at Chantilly, outside of Paris.

"There are maybe a hundred of us and millions of them (GIs) scheming how to make a buck. It's a no-win situation."

In Tijuana, Mexican authorities seized "thousands" of so-called counterfeit alien registration cards, commonly known as "green cards." This is the card issued by the government to legal aliens; it is the document that permits them to work and live in this country. The phony green cards were selling for up to \$500 a copy.

The quality of paper used by the counterfeiters was as good "if not better" than that used by the U.S. government, a border patrol agent said.

In Texas alone, there is a backlog today of 15,000 complaints of welfare cheaters, mostly in the food stamp and the Aid to Families with Dependent Children programs.

Investigators have no doubt that a significant number of those cases grew out of welfare mothers padding their benefits by adding names of fictitious children through the use of spurious documents or giving false statements on their earnings.

The problem is intensified by the widespread, fraudulent use of Social Security cards by illegal aliens. Estimates of the number of illegal aliens in this country range from 3 million to 6 million.

Once an illegal alien obtains a valid Social Security number—even if he used a false birth certificate in his application for the card—he is entitled to benefits provided by Social Security.

Under a 1954 Social Security regulation, an alien is subject to losing his entitlements only if he is deported. Less than 600 aliens who were deported have lost their benefits since that regulation was adopted, according to Ron Schwartz, an assistant to the inspector general of Health and Human Services in Washington, D.C.

A government white paper written by Dan Lane, an inspector general's investigator in Washington, says the Social Security Administration currently cannot post about 6 million earnings reports. To a major degree, this is a result of counterfeit activity, Lane wrote. What happens to the money sent in by employers to those 6 million invalid accounts?

"The money goes into the Social Security trust funds," says John Trollinger, a spokesman in the Social Security Administration, "Today, we have more than \$70 billion in earnings reports in a so-called suspense file (not to be confused with the Social Security tax deducted from your paycheck) that we can't credit to anyone because we can't establish a valid number for the people involved."

The record of your earnings reflects your potential retirement benefits.

The General Accounting Office, in a report issued in 1980, said that the Social Security system included about 4 million people with two or more different Social Security numbers.

The GAO quoted from a 1971 Social Security Administration in-house task force report.

"We've cross-referenced those duplications," says Trollinger, the Social Security spokesman, "And notified the persons involved we were consolidating their account into one number." Trollinger says he doesn't believe there was fraud involved in the multiple numbers, but the GAO report says otherwise.

The Social security card was never intended or designed as an I.D. card when President Franklin Roosevelt signed into the law the Social Security Act in 1934.

It's a number to identify your Social Security account, no more and no less. Just like a checking account number at your bank.

Today, however, the Social Security card, for all practical purposes, is used as a national identification document. You need it to get a job and open a bank account;

it identifies your tax return to the Internal Revenue Service. You need it to enroll in school, to apply for student aid or welfare and to buy stocks or securities.

And it's relatively easy to obtain and easy to forge and easy to counterfeit because it's produced on low quality paper.

That judgment is from no less an authority than Inspector General Richard Kuserow of the U.S. Department of Health and Human Services, the umbrella agency for Social Security and many welfare programs.

As to the scope of the cost to the taxpayers from fraudulent use of the Social Security cards, Investigator Richardson says:

"I doubt seriously if anyone today knows. I doubt if anyone has any idea. But it must be staggering."

About five years ago a Federal Advisory Committee on False Identification, quoting immigration authorities, estimated the burden to U.S. Taxpayers from the use of false identification by illegal aliens, at about \$12 billion.

And the committee estimated the total loss to the U.S. economy from the illegal use of false identification was more than \$15 billion.

That is the last known study done by any federal commission.

It's a federal crime, a felony, to furnish false information to obtain a Social Security card.

Ron Woods, a prosecutor in the U.S. Attorney's office here, says he can't recall prosecuting anyone—illegal alien or citizen—for furnishing false information to obtain a Social Security card. Woods has been a prosecutor here five years.

Until several years ago, an applicant could obtain a Social Security card by making application, giving his name, age and place of birth. No supporting document was necessary.

Currently, Social Security requires documentary evidence of age, identity and citizenship or alien status of all original applicants.

And it was not a crime—until Congress enacted a law last December—to counterfeit, alter a valid card, or " * * " of another person. Today, it's a felony punishable by a maximum fine of five years in prison and a \$5,000 fine to buy, sell or use a counterfeit card.

Neither state nor federal authorities concentrate on the individual misuse of the counterfeit Social Security card. For realistic reasons, there are bigger fish to fry.

"We have major cases in Medicare and Medicaid that take priority," says federal investigator Richardson. "Million-dollar rip-offs by doctors and hospitals. We have 10 investigators here for a five-state (Texas, Oklahoma, New Mexico, Arkansas and Louisiana) area. Just in Harris County, we're talking about \$1 billion in federal money, food stamps, aid to welfare mothers, public service grants. We're after the big operators who counterfeit and sell Social Security cards to illegal aliens. We simply don't have the time nor the manpower to try to make cases against the petty welfare cheat or the individual illegal alien caught with a bogus Social Security card. Individual state agencies today handle most of the individual food stamp and welfare cases.

Thus expediency prevails. It's more economical to deport an illegal alien than to prosecute him for illegal entry. A first offense of illegal entry is a misdemeanor punishable by a maximum penalty of six months in jail and a \$500 fine; second offense is a felony punishable by a maximum penalty of two years and a \$2,000 fine.

As Richardson succinctly put it: "There are not enough jails in Texas to hold all the aliens caught who cross the Mexican border illegally."

Art Anders, a prosecutor in the U.S. Attorney's office here says:

"Our primary targets are the smugglers who bring in the illegal aliens."

The illegal alien's lot is hastily resolved with a bus ride back across the border, or a plane ride back to Iran or Guatemala or Libya. The trip comes at the taxpayers' expense, of course.

Today, as the Social Security trust funds near depletion, we surely wonder if anyone in 1935 anticipated the Pandora's box President Roosevelt opened with the Social Security Act. And lest we forget, FDR didn't conceive the idea of retirement and health insurance benefits. It was a man named Otto Von Bismarck, who as Chancellor of Germany in 1889, instituted what we know today as the Social Security program.

[From the Houston Chronicle, Mar. 23, 1982]

DOCUMENTS OF DECEIT: STOLEN ID CARDS BRING BIG PRICES

(By Zarko Franks)

Your driver's license, credit cards and checkbook are worth \$250 today to purse snatchers and petty thieves. That's the current price the bottom-rung street criminal realizes from the more sophisticated hot check writers and credit card fraud artists in this area.

One major case here illustrates how stolen identification is used in big league crime.

In a two-story brick home at 15631 Loma Verde in southwest Harris County, police and constable's deputies seized an estimated \$200,000 worth of merchandise, including refrigerators, microwave ovens, brass beds, videotape recorders, TV sets.

All the merchandise was bought with stolen credit cards and forged checks, says Capt. John Logan, probably the top authority on hot check activity in the city. Logan works out of the Office of Constable Tracey Maxon.

"They had built up an underground mail order business over the four-year period they operated before we broke up the ring," says Logan. "Our best estimate is that they had bilked merchants here out of about \$3 million in merchandise."

Coy Ray Clifton, 40, identified as the ringleader, who had a \$700-a-day drug habit, was convicted of forgery last September and sentenced to three years in prison. One of his accomplices, Corrine Wood, 29, also convicted of forgery, was given two years in prison. And another accomplice, Sue Cox Gines, 29, received three years probation.

"What they were doing was buying stolen driver's licenses, checkbooks and credit cards" from a host of unknown thieves, says Logan. "They used a high quality machine to make additional copies of the various checks they passed." Their customer clientele, says Logan, included policemen and firemen, who bought merchandise at "bargain prices." In their crime spree, the basic tool was the use of false identification.

The ease with which false identification can be acquired is "mind boggling," says Logan.

He showed what appeared to be a Montana driver's license and a certified copy of a birth certificate issued to a John Logan, born in Intercourse, Pa. The driver's license, laminated, included a picture of Logan, and the vital information—name, date of birth, and home address—that appears on a valid license.

"I bought the simulated driver's license for \$13 from a California mail order house," says Logan. "And the birth certificate for \$5 from a mail order house in Jacksonville, Fla. The driver's license is good enough to fool most state troopers."

Logan uses the documents as exhibits in his lectures to merchants and bankers on hot check scams.

An identification card, remarkably similar to the type issued by the Texas Department of Public Safety, is available for about \$5 from scores of mail order houses that advertise in at least a dozen magazines, from High Times to Hot Rod, Mechanix Illustrated to Master Detective. Simulated driver's licenses also are advertised in those magazines.

An excerpt from an ad in High Times:

"Need new ID . . . Credit? Start Life Over. Here's How:

"Create new name, change age, cover negative reports. Get diplomas, degrees.

"Create New Identity with govt.-issued ID: birth certificates, SSN, Driver's licenses, Passports, State ID in the Paper Trip. \$12.95."

At a flea market off the Southwest Freeway, Logan says he watched a "girl who couldn't have been over 13" buy a simulated Texas-issued ID card for \$5.

The driver's license is the dominant ID card most store clerks ask to see before accepting a check.

"It's incredible," says state trooper Sgt. Lannie Rannalls. "Merchants here will not accept a diplomatic passport, a document accepted the world over for identification purposes, but they will accept a Texas driver's license."

Rannalls, a supervisor in an office where driver's license applicants are screened, says it's difficult to close all the existing loopholes that make it relatively easy to get a Texas license.

"We'll accept a license from another state," says Rannalls, as proof of identity. "And the birth certificate copy, of course, which is the easiest document of all to obtain. I'll cite what can happen based on actual case histories. Say a lady with a birth certificate identifying her as Julie Brown applies for a driver's license. She passes the test and gets her license in the name of Julie Brown. If she's been mar-

ried several times, she can obtain a license in her married names also. She can quickly acquire two or three valid Texas-issued driver's licenses for possible use in check writing or welfare schemes."

How much money banks lose to fraudulent check activity is a well-guarded secret. A spokesman for First City Bank here says: "We don't make that public. It might make us look like a soft touch."

A study done by the Insurance and Protective Division of the American Bankers Association, Washington, D.C., indicates that the banking industry alone in 1980 (latest figures available) lost \$177 million to check fraud.

Figures from the Federal Reserve Banks in Houston, San Antonio and Dallas indicate checks with a dollar value in the billions did not clear.

Louis Moore, manager of the checks department of the Federal Reserve Bank here, says that last year 4.3 million checks with a dollar value of \$2.7 billion didn't clear.

John Bullock, head of the San Antonio Federal Reserve Bank, said 2.2 million checks with a value of \$1.6 billion failed to clear there. Larry Hill, an official with the Dallas Federal Reserve Bank, estimates 6.9 million checks with a dollar value of \$6.5 billion didn't clear the bank last year.

The federal reserve banks don't keep records on what percentage of those checks cleared on the second presentation or what percentage of the checks were fraudulent, as opposed to "insufficient funds" or bookkeeping mistakes. Bullock estimates that 60 percent of the checks clear on the second presentation. Moore estimates 95 percent clear the second time around. Hill says, "We just don't know."

Helen Bosley, an operations officer at Texas Commerce Bank, says a survey done by the bank for Exxon and Montgomery Ward showed that 75 percent of the checks cleared on the second presentation.

There is no available data here on check losses stemming from forgery and use of false identification. Logan believes the amount is significant.

Bill Kelleher of the U.S. Chamber of Commerce in Washington, D.C. says losses attributed to hot check activity in the nation last year totaled \$1 billion and that losses from bank credit card fraud from stolen or lost cards was \$100 million.

Those figures come from a handbook on white collar crime published by the U.S. Chamber.

Dick Rossi, a spokesman for Visa, one of the nation's three largest credit card firms (the other two are MasterCard and American Express) says industry sources fix losses from fraud at \$100 million last year.

[From the Houston Chronicle, Mar. 24, 1982]

DOCUMENTS OF DECEIT: MANY ILLEGALLY GET U.S. BENEFITS OVERSEAS

(By Zarko Franks)

A government white paper indicates that millions of U.S. tax dollars in Social Security benefits, obtained through false identification, are going to recipients now living in foreign countries.

Dan Lane, an investigator for the inspector general of the U.S. Department of Health and Human Services, author of the white paper last year, wrote:

"Investigations indicate that there may be millions of valid Social Security Administration numbers contained in computer records which were obtained through frauds," many of them by illegal aliens.

Immigration authorities last year arrested nearly 1 million illegal aliens, and the vast majority of them possessed or had used a Social Security card, said Lane.

Federal law prohibits an illegal alien from working or living in this nation. However, once an illegal alien has obtained a Social Security card—even with false documents—the alien is entitled to health insurance and retirement benefits.

George Bodden, director of international operations for the Social Security Administration in Baltimore, says nearly \$1 billion was paid to recipients in 130 foreign countries last year.

The budget last year for the three major Social Security trust funds was \$174 billion. The old age and survivors insurance fund was \$127 billion; disability insurance fund, \$18 billion; and hospital insurance (Medicare) \$29 billion.

The extent of the fraud-related benefits to overseas beneficiaries is unknown, but substantial, according to the white paper.

"There is substantial evidence that Social Security account numbers are freely traded and sold by aliens," Lane wrote, "Over a period of years a series of aliens utilized a single Social Security number and built up credit in the account."

When the individual in whose name the account was established reaches retirement age, benefits are paid, says Lane, to which no individual is legally entitled.

More U.S. tax money in Social Security benefits goes to residents in Canada than any other foreign nation: \$14.2 million a month to 49,084 recipients.

Mexico is second with \$9.6 million a month to 56,701 recipients. Next is Italy, with \$9.5 million to 40,624 recipients; the Philippines, \$6.3 million to 33,203; Greece, \$5.3 million to 16,940; West Germany, \$5.3 million to 16,844; and Great Britain, \$3.8 million to 12,385.

Bodden says that West Germany sends twice as much in retirement benefits, more than \$10.6 million per month, to its people now living in the United States, than the U.S. government pays to people now living in West Germany.

Richard Kusserow, inspector general of Health and Human Services, says one of the major flaws today in the Social Security system is the ease with which a Social Security card is available through the use of fraudulent documents."

And Kusserow says that Social Security cards are available for banking purposes to millions of foreigners who come here on tourist visas. A Social Security account is needed to open a bank account, and the foreign tourist can obtain a Social Security card for that purpose so he won't have to pay federal taxes on any interest he may realize for a six-month period.

The Social Security card given to the tourist, however, is not basically any different than the card issued to any U.S. citizen or registered alien.

"Therein lies the rub. There's the wrong," says Kusserow. "The tourist visitor can go to work here, stay indefinitely, and build up Social Security credits."

Paul O'Neill, director of the Houston district of the U.S. Immigration and Naturalization Service, says:

"We're in a very weak enforcement posture and the aliens know it. You have no idea how easy it is to remain free as an illegal alien in this country."

A federal commission on false identification in 1976 estimated the burden to taxpayers from use of fraudulently obtained Social Security cards by illegal aliens at \$12 billion. The commission quoted INS sources.

That is the last known study done on the ramifications of fraudulently obtained Social Security cards.

Proposals have been suggested for a tamper-proof, three dimensional, magnetic card bearing the name, fingerprint and coded data of the card holder.

The Government Accounting Office, the investigative arm of Congress, has rejected such a proposal as both cost prohibitive and ineffective.

To issue new Social Security cards to an estimated 200 million citizens and aliens would cost from \$850 million to \$2 billion, the GAO said.

And illegal aliens, or others predisposed to criminal activity, could still obtain a Social Security card—even a tamper-proof card—with false documents such as phony birth certificates, whose issuance is ill-controlled by individual states, according to the GAO report.

[From the Houston Chronicle, Mar. 25, 1982]

DOCUMENTS OF DECEIT: BOGUS ID PENALTIES PUSHED—BILL WOULD SET STIFF PENALTIES FOR BOGUS ID'S

(By Zarko Franks)

A bill now before the U.S. House Judiciary Committee strikes at the heart of the false identification problem that is costing U.S. taxpayers an estimated \$15 billion a year.

The bill, introduced by Rep. Henry Hyde, R-Ill., would provide stiff penalties for using or supplying false state- or local-issued documentation to obtain a federal identification document, such as a Social Security card or a passport.

According to federal studies, there are about 6 million spurious Social Security accounts on file at the Social Security Administration headquarters in Baltimore—accounts obtained by use of fraudulent state and local documents, such as false birth certificates.

An applicant for a Social Security card is required to provide proof of identity with a birth certificate, or immigration papers if he is an alien.

Too often, say federal investigators, false birth certificates are used by illegal aliens and predisposed welfare cheats to obtain Social Security cards.

The Hyde bill would make it a felony punishable by a maximum five-year prison term and a \$10,000 fine to buy, sell or traffic in counterfeit or altered state or federal identification documents; or to possess or use with the intent to defraud a counterfeit identification document.

Hyde, a member of the judiciary committee, first introduced his bill in 1977 after reading a federal advisory commission report on false identification that cited the loss of billions of tax dollars to fraud.

The bill at that time died in committee; later it was tacked on as an amendment to a U.S. Criminal Code bill that failed to pass Congress.

Other proposals have been suggested to curb identification fraud, one specifically aimed at illegal aliens, whose number increases at an estimated 1 million a year. Perhaps the most controversial is the national work ID card, proposed by the Select Commission on Immigration headed by Notre Dame's president, the Rev. Theodore Hesburgh.

His proposal was immediately rejected by Patricia Harris, then secretary of the Department of Health and Human Resources.

Opposition to the Hesburgh proposal rose from civil libertarians raising the "Big Brother" specter of George Orwell's 1984.

Surprisingly, a Gallup poll in 1980 showed that 62 percent of the public believed everyone in the United States should have a national identification card, and 76 percent favored a law forbidding employment here of illegal aliens.

Sen. Lloyd Bentsen, D-Texas, says he opposes a national work ID card. Bentsen, however, says he believes the flow of illegal aliens could be reduced by introducing a tamper-proof Social Security card, instituting civil sanctions against employers who knowingly hire illegal aliens and allowing more aliens to live and work in this nation.

Sen. John Tower, R-Texas, says he sees potential for abuse in a national worker ID card program, and that he's undecided on a proposal for the forgery-proof Social Security card. Tower traditionally has opposed proposed sanctions against employers who hire illegal aliens because of the "discrimination potential" against Hispanics.

"A bill with sanctions against an employer hiring an illegal places an unfair burden on the employer, who may not know if he has hired an illegal alien," said Tower.

The Reagan administration has proposed creation of a national computer bank to store the names of an estimated 25 million persons on welfare. The proposed National Recipient Information System would include the name, age, address, Social Security number and benefits status of welfare recipients.

Information stored in the computer bank would be made available on request only to the Department of Health and Human Services, and to federal, state and local agencies administering welfare programs.

The proposed data bank would assist in detecting and preventing fraud, abuse and waste, and monitor the integrity of public assistance programs.

John Shattuck, an American Civil Liberties Union attorney in Washington, D.C., protests the creation of such an identification system. He envisions a "massive invasion of privacy."

Such a national data bank, he said, would inevitably invite a court test of the Federal Privacy Act, which limits the use and distribution of government records and protects the confidentiality of Internal Revenue Service records.

In 1977, Joseph Califano, then head of the Department of Health, Education and Welfare (now the Department of Health and Human Services) had sought to consolidate all welfare program recipients into a single national system, comparable to the Reagan administration's proposed data bank. The Califano proposal died a quiet death in a judiciary committee hearing room.

In related court cases, the U.S. Supreme Court last year refused to give Florida state investigators, in quest of welfare cheats, the authority to read the files of food stamp recipients in that state.

And in 1979, the U.S. Supreme Court held unanimously that police authorities could not arrest anyone for refusing to supply an identification card if the request for identification was routine or because a person merely looked suspicious.

The latter was the landmark case from El Paso in which the Supreme Court held police must have a reasonable suspicion of criminal activity before arresting an individual for refusing to provide his identity.

Rutgers law professor Frank Askin, general counsel for the ACLU, called the ruling a "reaffirmation of the right of Americans to travel about free from arbitrary police intervention."

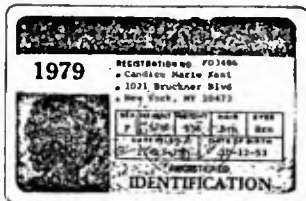
Askin said, "An opposite result would have introduced a domestic passport system as used in other nations. (Such a practice) is alien to this country."

Thus, the prospects for a national identification card or a computer bank to consolidate names of welfare recipients appear bleak.

Esau Flores, an investigator in the Dallas office of the U.S. Immigration and Naturalization Service, sums up the national dilemma.

Flores says liberal immigration laws, the acceptance of hundreds of thousands of refugees from Cuba, Vietnam and Haiti, and the flow of nearly a million or so illegal aliens seeking a haven in this country contribute greatly to the problem. The search for a new way of life, he notes, also brings a drain on tax dollars from illegal aliens claiming welfare benefits.

"How long," asks Flores, "can we continue to help our brother?"



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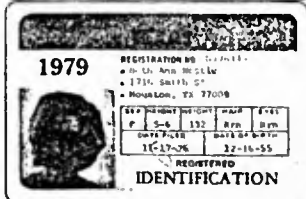
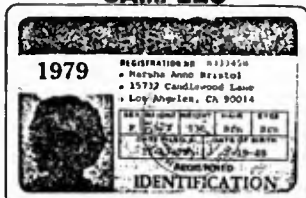
This photo method is also used by hundreds of government agencies, major corporations, colleges, and universities.

**5" x 8" BLANK BIRTH CERTIFICATE WITH
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[illegible]

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SAMPLES



HANDY ORDER FORMS ON BACK

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#103 Marriage
#109 Baptismal
#104 Hypnotist
#108 Divorce

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#166 Lease Agreement (House)
#169 Lease Agreement (Apt.)
#167 Homestead (Home)
#168 Bill of Sale (Car)
#171 Notice to Quit (House)

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#106 High School
#107A Dr. Of Medicine
#107B Dr. Of Philosophy
#107C Bachelor of Science
#107E Dr. Of Veterinary Medicine
#165 Registered Nurse

AWARDS

#113 Karate Black Belt
#130 Judo Black Belt
#140 Kung Fu Black Belt
#150 Talent Scout
#160 Commercial Photographer

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#103A Marriage Certificate
#112 Pass Pass

#106A High School Diploma
#170 Security Guard I.D.

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FOR THE AMOUNT OF \$ _____.

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CITY _____ STATE _____ ZIP _____

Quantity	Form #	Price\$	Quantity	Form #	Price \$
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
_____	_____	_____	_____	_____	_____
Total		\$ _____	Total		\$ _____

FALSE IDENTIFICATION GUIDE

HOW TO DETECT FALSE IDENTIFICATION

IS THE ID OFFICIAL: Only Accept ID Cards or documents that are issued by official Government Agencies. (i.e. Federal and State Government). Take a minute to study the ID card—don't simply glance at the ID. Never accept a card ID that you are not familiar with. Beware of photo ID cards that have the appearance of being official Government ID but are nothing more than commercial mail order ID.

ALTERATIONS: ID cards are altered to change vital information. Carefully look for any change or difference in the type size, style and color. A flash light or other strong light placed underneath the ID will generally reveal alterations such as cutting and replacing the type. Never accept any ID card that has been altered or changed in any way.

PHYSICAL DESCRIPTION: Make sure to check physical description (color of eyes, height, weight etc.) to that of subject. Especially in those states that have no photo on their Drivers License.

DRIVERS LICENSE: Drivers Licenses are the most common form of identification used today. If like any other ID, can be either stolen, forged, counterfeited or obtained by false application. Be thorough by familiar with the Drivers License issued in your State and neighborhood States. Make sure it is in fact a DRIVERS LICENSE AND NOT A COMMERCIAL PHOTO ID CARD THAT SIMULATES A STATE DRIVER LICENSE.

Know any special license codes, numbers and issuing processes and methods of validating. Knowing such things will enable you to quickly spot counterfeited or altered licenses.

K000000		JOHN ALLEN DUAN	
416 MAIN STREET		ANY TOWN, U.S.A.	
SEX	HAIR	EYES	HEIGHT
M	BLK	BRN	5'7"
Date of Birth		Sex Res No.	
2-17-49		000-00-0000	
Signature: <i>John Allen Duan</i>			

SIGNATURE: Study all official Government ID cards possess the

EXAM BACK OF ID: Always examine the back of the ID card for evidence of validity. Carefully read any "FINE PRINT" that is on the back. BEWARE OF ANY DISCLAIMER. Such disclaimers are commonly used by commercial ID promoters to escape liability. DO NOT ACCEPT ID THAT CLEARLY STATES THAT THE DATA OR INFORMATION ON THE ID HAS "NOT BEEN SUBSTANTIATED". Always Examine the ID out of the wallet or plastic cover. Politely ask the subject to take the ID out of his wallet. IMPORTANT never handle the subjects wallet—you might be accused of taking money from it.

EXPIRES ON	BIRTHDAY
1996	

LAMINATION: Lamination can be used to change an ID photo (bad ID

EXPIRATION DATE: All Drivers License have an expiration date—always check this date. Never accept a Drivers License or other ID which date has expired.

PHOTO COMPARISON: Many Bad ID passers use another ID or Drivers License that was either stolen or borrowed. Always carefully compare the ID photo with that of the subject. ID photos can be a real problem since the photo may have been taken several years ago. During this time lapse many physical details of the subject could change. When comparing the photo look for specific facial details not general appearance. For example, look for similarities in the shape of the mouth and chin, size and angle of the ears, shape and width of the nose and other specific details. Hair is the most deceptive part of the photo. Do not use the hair when making your comparison. **BEWARE:** A wallet's plastic cover can be used to "double" a photo i.e. subject places his photo (between the wallet's plastic cover) on top of somebody's ID card be on guard for this.

[From the Chicago Tribune, Apr. 10, 1982]

ILLEGAL IMMIGRANTS, ILLEGAL AID

(An editorial)

The business slowdown offers new cause for concern about the volume of illegal immigration. In both New York and Illinois, evidence has been discovered that illegal immigrants are using forged documents to get government help to which they are not entitled.

Spot checks of applications for unemployment compensation in Illinois have persuaded state Atty. Gen. Tyrone Fahner that illegal immigrants stand to collect as much as \$66 million a year from the state in fraudulent benefits. Mr. Fahner said that spot checks during the last two weeks showed that of 591 aliens who filed applications, 266—or 45 percent—were here illegally and had presented counterfeit documents to support their claim.

The illegal applicants were identified by checking the numbers on their documents—usually the “green card” showing that a legal immigrant is authorized to work in this country—with the Immigration and Naturalization Service. By rejecting the 266 fraudulent applications the state saved about \$600,000.

In New York, an FBI investigation has found that illegal immigrants—presumably laid off from jobs or unable to get them—are applying in growing numbers for student loans. About 150 cases of improper loans have been turned up in the New York metropolitan area alone, involving as much as \$250,000.

It's fair to assume in both these instances that only the tip of the iceberg has been discovered. And in both instances the fraud involves programs already in such serious trouble that legitimate and deserving applicants are being denied or are in danger of being denied benefits. Illinois' unemployment pay program is already so overextended that the federal government has had to bail it out to the extent of \$1.6 billion—more than any other state. This will have to be paid back, presumably through higher taxes on employers. Discovery of fraud in the student loan program and the failure of many prosperous beneficiaries to pay back their loans tend to create support for the sharp cuts the Reagan administration has made in the program.

The awareness that illegal immigration is actually costing us money will of course add to the pressure to control immigration more effectively. Until now, most of the pressure has come from labor unions worried about the loss of jobs to low-paid foreigners; others have been more apathetic, figuring that if illegal immigrants provide cheaper labor, it is the American consumer who benefits. But when illegal immigrants defraud government programs, it hurts everybody—the legitimate worker, the taxpayer, the consumer, and the businessman who has opposed laws against the hiring of illegals on the ground that they would be burdensome to him.

The trouble is that it is almost impossible to patrol our borders so thoroughly as to stop the illegals. The more practical alternative is to show that they will not be allowed to abuse our pocketbooks as well as our laws. The investigations here and in New York both show that the imposters can be identified with relatively little effort. Surely the amount of money that can be saved by doing so—plus the disincentive to other illegals—justifies the added cost of routine verifications and perhaps stricter laws.

The more immediate and challenging task, though, is to catch and punish the counterfeiters. Once they think they've got a good thing going, their numbers grow far faster than the ability of the law to catch up with them. What's more, their work becomes easier—and harder to detect—with every improvement in copying machinery. In the long run, the money it costs to track them down now and throw the book at them will be well spent.

[From the Chicago Tribune, April 9, 1982]

\$66 MILLION-A-YEAR LOSS CITED IN JOBLESS PAY FOR ILLEGAL ALIENS

(By William Juneau)

In an effort to recoup an estimated \$66 million a year in fraudulent unemployment benefits, Illinois Atty. General Tyrone Fahner said Thursday that he will seek state legislation to combat the problem of illegal aliens receiving unauthorized benefits.

He estimated that unless the practice is stopped, illegal aliens in Illinois will be able to collect as much as \$66.2 million a year in fraudulent unemployment benefits.

Using Fahner's estimate, illegal aliens already have collected about \$6.5 million during the first quarter of 1982.

If Illinois can develop an effective law, Fahner said, he will recommend that Congress draft a national law.

In addition, he said his office will work with the immigration service to double-check alien cards presented by aliens seeking jobless benefits.

Finally, he said his office would vigorously prosecute the sellers of counterfeit alien cards.

Fahner said an investigation has shown that illegal aliens are obtaining jobless benefits as a result of buying counterfeit identification cards that wrongfully show them to be legal aliens.

A federal-state investigation of counterfeit cards used to get jobless benefits was touched off by a report by WLS-TV (Channel 7) on a similar misuse of Social Security documents for fraudulent purposes, he said.

Although aliens who enter the United States legally are entitled to collect unemployment benefits if they become jobless, illegal aliens are not.

Fahner said that spot checks during the last two weeks revealed that of 591 aliens who applied for jobless benefits 266—45 percent—were illegal aliens who were not entitled to such benefits. He said that every one of the 266 illegal aliens had a counterfeit card that showed him to be in the United States legally.

Fahner outlined the problem at a press conference in the State of Illinois Building here.

Also attending were Ted Giorgetti, assistant director of the Chicago office of the federal Immigration and Naturalization Service; Agaliece Miller, administrator of the Illinois Bureau of Employment Security; and Stella Adams Cuthbert, state commissioner of unemployment insurance.

"In the past, bogus documents were used by illegal aliens to get jobs in this country," Fahner said. "Now, with difficult economic times, they are taking that process a step further."

Fahner said that counterfeit alien cards can be obtained "on street corners and in bars." He said that the cost of counterfeit cards ranges from \$50 to \$1,500, or "whatever the traffic will bear."

He outlined how state and federal officials discovered the extent that counterfeit cards are being used to get jobless benefits.

He said that in late March the investigation began in the state unemployment office at 1657 S. Blue Island Ave. During one week 198 aliens, each with an alien card, applied for unemployment benefits.

State officials reported each card number to the Immigration and Naturalization Service and found that 101 of the cards were counterfeit.

No benefits were paid to those with counterfeit cards, a saving of \$222,927.

Last Thursday and Friday this system was put into effect in every state unemployment office in Illinois. Last Thursday 257 aliens showed their cards and applied for unemployment benefits, but investigation showed that 119 had counterfeit cards.

Last Friday 136 aliens applied for jobless benefits, and 46 were found to have counterfeit cards. Refusing to pay benefits to counterfeit cardholders these two days saved \$363,500, Fahner said.

Miller said that in the past if the alien card presented by an applicant for jobless benefits looked legitimate, state employees made no effort to check it with the immigration service.

Fahner said that although no benefits were paid to those with counterfeit alien cards, no arrests were made. He said arresting those with the cards would not solve the problem.

Giorgetti reported that the immigration service here has prosecuted 60 sellers of counterfeit cards and hopes to step up prosecutions.

Although Fahner said checks of alien cards at unemployment offices will continue, he is convinced that new laws are needed to combat the problem.

Senator HUMPHREY. All right.

Mr. HUGHES. Thank you very much.

Senator HUMPHREY. Let me just look quickly at my statement here to see if there is any point that I want to stress before I finish. I understand the statements will be included.

Mr. HUGHES. Yes; they will be made a part of the record in full.

[The statement of Senator Humphrey follows:]

PREPARED STATEMENT OF THE HONORABLE GORDON J. HUMPHREY

Mr. Chairman, Members of the Committee, I am very pleased to be here today to offer supportive testimony for H.R. 6105, a bill to provide criminal penalties for the mailing of identification documents bearing a false birth-date. This measure, introduced by Congressman Sawyer, is with the exception of a few modifications, identical to S. 2043, introduced by me on February 2 of this year and now pending before the Senate Judiciary Subcommittee on Criminal Law and Security and Terrorism.

The problem of false identification is of wide-scale proportion. I recognize fully the extent of the problem in dealing with the various aspects of false identification abuse and I applaud the efforts of Congressmen and Senators to address the numerous issues associated with false identification. As Chairman of the Senate Subcommittee on Alcoholism and Drug Abuse, my particular interest and attention has been drawn to the use of false identification by minors to purchase alcoholic beverages. There are a number of mail order houses throughout the country who manufacture and disseminate I.D. laminated photo plastic cards containing any vital statistics requested by the purchaser. These documents are of various qualities and use different formats, but all are well within the affordable range of young teenagers. These firms advertise heavily in nationwide publications, and the response of minors has been substantial.

Since the introduction of S. 2043 in the 97th Congress, I have received dozens of supportive letters from State Liquor Commissions, State Liquor Law Enforcement Officers, State Retail Liquor Associations, State Health and Welfare Agencies, as well as State Attorneys General. I would like to take this opportunity to quote from some of this correspondence.

William S. Tassey, Chief of Liquor Law Enforcement for the State of New Hampshire State Liquor Commission writes, "I would like to congratulate you for sponsoring legislation that would make it a crime for a company to issue any identification card to an individual, without first making a determination as to the authenticity of the birth-date statistics provided by the applicant. As chief of liquor law enforcement in New Hampshire, I am continuously being confronted with problems arising from the use of false identification cards. The availability of these false credentials from sources outside the state creates chaos for both retailers who are in the business of selling alcoholic beverages, and for the enforcement officers whose responsibility it is to insure the proper application of liquor laws. New Hampshire law provides a defense for anyone making a sale to an under age person, if they accept as proof of age, "some official document representing that the person was twenty years of age". The difficulty stands in the expectation that the store owner or his employees can make the determination as to what is, and what is not, an official document. These false I.D.'s are prepared in a professional manner, and in many instances closely resemble authentic official documents."

Joseph H. Lerner, President of the National Conference of State Liquor Administrators writes, "I fully agree with you that the easy acquisition of false I.D.'s is a contributing factor to alcohol abuse, and that the time has come for action to prevent commercial mail order houses from supplying false I.D.'s. The National Conference of State Liquor Administrators is certainly interested in counteracting fraud in any form which may have a deleterious effect on alcoholic beverage control. I might add that in New Jersey the mere presentation of such an I.D. to which you refer would not be an adequate defense to the sale and service of alcoholic beverages to a minor."

Thomas F. Schweigert, Chairman of the Liquor Control Commission for the State of Michigan writes, "As you pointed out the availability of false identification to persons under the legal drinking age poses serious problems in the enforcement of legal age requirements, and has been found to be a continuing problem in Michigan."

Leslie E. Cole, Supervisor for the Department of Alcoholic Beverage Control in the Commonwealth of Kentucky writes, "We have been trying to regulate, for some years, minors using false identifications, some obtained from out of State sources brought about by an ad placed in a national publication. We consider the use of false identification in a serious light and deal with it accordingly. We do have difficulty in dealing with firms from without the State."

Peter S. Ridley, Acting Chairman of the District of Columbia Alcohol Beverage Control Board writes, "It has been noted that this bill imposes fines and/or jail sentences on business firms mailing false identification to a minor without first verifying the individual's age. Often in the District of Columbia, complaints are received

that alcoholic beverage control establishments are serving alcoholic beverages and/or employing minors to serve these beverages in violation of the District of Columbia Code. The business people complain that the minors present identification indicating that they are of legal drinking age to be served beverages. We have young people from all over the world visiting this city with their schools and other groups. They visit alcohol beverage control establishments and in some instances, attempts are made to purchase beverages. This legislation will give investigators in this office additional assistance in combating those licensees who are prone to sell spirits, wine and beer to minors."

Robert O. Wesald, Attorney General of the State of North Dakota writes, "I appreciate hearing of your efforts in this area. North Dakota law enforcement officials have reported to me cases where minors have used false drivers' licenses and identification cards to gain entrance to liquor establishments. My consumer fraud division has attempted to respond to this problem as best they can. However, in all cases these companies are located elsewhere and operating on a nationwide basis. The efforts of one State simply are insufficient to resolve this problem on a nationwide basis. I believe the legislation you have described appears to be a proper response to this nationwide problem. I applaud your efforts in the area."

Jean A. Hickey, Liquor Commissioner of the State of Vermont writes, "We totally agree with you that the availability of false identification cards is extremely prevalent and very easily come by. The increased number of under age persons our investigators discover in possession of false I.D.'s that are obtained from companies referred to in your letter, indicates to us that the problem has reached epidemic proportions in the State of Vermont. I personally feel that by suppressing the supply of not authenticated identification, it will have a diminishing effect on the incident rate of under-age persons procuring alcoholic beverages."

Charles A. Muzan, Director of Department of Business Regulations in the State of Florida writes, "Approximately 20,000 teenagers are killed annually nationwide because of drunk driving. Alcohol is the number one abused product among our youth today. Putting false ID's out of business could help decrease these grim statistics."

James A. Franklin, Jr., Supervisor of Liquor Control in the State of Missouri writes, "I support your legislation. Regardless of the reasons given by manufacturers for why these ID's are produced, I believe it is clear that they are intended for youngsters and to be used to purchase alcoholic beverages."

The support for the language in H.R. 6105 and S. 2043 continues in a full array of correspondence, copies of which are included in an appendix attached to the end of my testimony. Please take the time to review these letters as they are very helpful in clarifying the extent of a serious nationwide problem.

H.R. 6105 and S. 2043 provide an effective deterrent to the interstate distribution of commercial false I.D. documents. These measures would control virtually every form of false identification which could be used by a minor to establish a credible false age identity. The language in these bills is drafted so as not to over-extend federal jurisdiction in areas best controlled at the state level. For instance, the walk-in sale of false identification would be left to the control of state and municipal officials who have the manpower and resources to deal with this problem on a local level.

These bills impose blanket coverage on every form of identification bearing birth-date information by requiring out of state vendors to verify an applicant's age before sending their product. Verification would consist of an official communication, in writing, from a state, federal, or local government, or a physician, medical clinic or hospital certifying the birthdate of the applicant or that the applicant is 21 years of age or older. To focus the intent of the legislation on the "I.D. factories", identification documents sent by the federal, state or local governments, physicians, or hospitals are exempt from the verification requirement. Lastly, the bill provides for fines, imprisonment or both.

The penalty sections of H.R. 6105 and S. 2043 comprise the only substantial difference between the two bills. H.R. 6105 would impose penalties of \$1,000 or 1 year, or both, while my bill would provide for stiffer penalties of \$5,000, 10 years or both. In the course of determining appropriate penalties, I would ask the committee to give serious consideration to the type of activities we are attempting to deter here. These activities go beyond the scope of the typical case of fraud. We're dealing with more than a mere paper crime, but rather with the health and lives of thousands of adolescents across the nation. In considering an appropriate criminal fine, consider the following: A large national mail order house that sells 100 I.D.'s any given day, for what I consider to be a cost average of \$10 each, would gross \$1,000 a day.

In closing, I wish to emphasize the importance of reducing the availability of false identification to minors. Conservative figures indicate that in 1980, 9,803 drivers be-

tween the ages of 16 and 19 were involved in fatal motor vehicle accidents; 3,262 had been drinking. I cannot help but wonder how many of those deaths were linked to the use of false identification. It is my sincere hope that this subcommittee will move swiftly, report out H.R. 6105 favorably, and make one substantial step forward in the battle against false identification. Thank you.

STATE OF MICHIGAN,
LIQUOR CONTROL COMMISSION,
Lansing, Mich., March 17, 1982.

HON. GORDON J. HUMPHREY,
U.S. Senator,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: Thank you for your recent letter requesting our comments concerning Senate Bill 2043.

As you pointed out, the availability of false identification to persons under the legal drinking age poses serious problems in the enforcement of legal age requirements, and has been found to be a continuing problem in Michigan. Also, any practice which contributes to alcohol abuse is of serious concern to us.

Therefore, although we have not seen a copy of Senate Bill 2043, on behalf of myself and the other members of the Commission, we wish to advise you that we are supportive of your efforts to address the problem of the ease with which false identification may be obtained and are hopeful that such legislation is enacted.

Again, thank you for writing as we are appreciative of your efforts and interest in this problem.

Sincerely,

THOMAS F. SCHWEIGERT,
Chairman.

STATE OF VERMONT,
DEPARTMENT OF LIQUOR CONTROL,
Montpelier, Vt., March 8, 1982.

HON. GORDON J. HUMPHREY,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: Your letter directed to our Chairman Parnell C. Kirby has been referred to me for reply.

We totally agree with you that the availability of false identification cards is extremely prevalent and very easily come by. Judging from the increased number of under-aged persons our investigators discover in possession of false IDs that are obtained from such companies referred to in your letter, indicates to us that the problem has reached epidemic proportions in the State of Vermont. I personally feel by suppressing the supply of not-authenticated identification, it will have a diminishing effect on the incident rate of under-aged persons procuring alcoholic beverages.

Thank you for taking the time to apprise us of your introduction of Senate Bill 2043 which concerns itself with a positive attempt to curtail some of the availability of these false identification cards.

Sincerely yours,

JEAN A. HICKEY,
Liquor Commissioner.

STATE OF NORTH DAKOTA,
STATE CAPITOL,
Bismarck, N. Dak., March 18, 1982.

HON. GORDON J. HUMPHREY,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: Thank you for your letter of March 1, 1982 concerning your proposed legislation dealing with those firms which produce false identification to minors without verifying the minor's age.

I appreciate hearing of your efforts in this area. North Dakota law enforcement officials have reported to me cases where minors have used false driver's licenses and identification cards to gain entrance to liquor establishments. My Consumer Fraud Division has attempted to respond to this problem as best it can. However, in all cases these companies are located elsewhere and are operating on a nationwide basis. The efforts of one state simply are insufficient to resolve this problem on a nationwide basis.

I believe the legislation you have described appears to be a proper response to this nationwide problem. I applaud your efforts in this area.

Sincerely,

ROBERT O. WEFALD,
Attorney General.

MARCH 17, 1982.

Hon. GORDON J. HUMPHREY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR HUMPHREY: Thank you for your letter of March 1, 1982, concerning your introduction of Senate Bill 2043 which would make it a crime to mail false identification to a minor without first verifying the individual's age. We are indeed concerned about the problem of alcohol abuse by underage persons and the illicit role that false I.D.'s can play.

You may be interested to know that HB-743 was introduced in the Ohio House of Representatives with essentially the same goal in mind. A copy of the bill is enclosed for your information. Unfortunately, no hearings have been held; and it appears the bill is dead. In any event, legislation at the federal level would be much more effective in attacking a nationwide problem.

Under present Ohio law, it is a misdemeanor for anyone to use the state seal without the permission of the Governor's office; and we have used this law in a couple of situations to prohibit the continued sale of fictitious I.D.'s which used the seal. Present law is certainly inadequate, and we certainly support your proposal.

Please let us know if we can be of any assistance.

Respectfully,

CLIFFORD E. REICH,
Director.

COMMONWEALTH OF KENTUCKY,
DEPARTMENT OF ALCOHOLIC BEVERAGE CONTROL,
Frankfort, Ky., March 30, 1982.

Hon. GORDON J. HUMPHREY,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: Commissioner Richard H. Lewis has referred your communication to me for reply.

We have been trying to regulate, for several years, minors using false identifications, some obtained from out of state sources brought about by an ad placed in a national publication. We consider the use of false identification in a serious light and deal with it accordingly. We do have difficulty in dealing with firms from without the state that do business in our state.

I call your attention to a program that we initiated in 1980, operation "GRAB", which met with great success. Operation "GRAB" was a cooperative effort on the part of ABC officials and liquor dealers alike in Fayette and Jefferson Counties aimed at catching minors buying alcoholic beverages and stopping adults from buying liquor for minors. This operation met with great success. We now use operation "GRAB" on a regular basis in our enforcement program and find that we have only hit the tip of the iceberg.

We would deeply appreciate any assistance we can get through legislation. Please register our assistance and full cooperation on this matter.

Respectfully yours,

LESLIE E. COLE,
Supervisor, Eastern District of Kentucky.

GOVERNMENT OF THE DISTRICT OF COLUMBIA,
ALCOHOLIC BEVERAGE CONTROL BOARD,
Washington, D.C., March 18, 1982.

HON. GORDON J. HUMPHREY,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: Thank you for your recent letter informing us that you had recently introduced Senate Bill 2043.

It has been noted that this bill imposes fines and/or jail sentences on business firms mailing false identification to a minor without first verifying the individual's age. Often in the District of Columbia, complaints are received that Alcoholic Beverage Control establishments are serving alcoholic beverages and/or employing minors to serve these beverages in violation of the District of Columbia Code. The business people complain that the minors present identification indicating that they are of legal drinking age to be served beverages. We have young people from all over the world visiting this city with their schools and other groups. They visit Alcoholic Beverage Control establishments and in some instances, attempts are made to purchase beverages.

This legislation will give Investigators in this office additional assistance in combating those licensees who are prone to sell spirits, and wine and beer to minors.

If I can be of any assistance, please feel free to contact me anytime on (202) 727-3508.

Very truly yours,

PETER S. RIDLEY,
Acting Chairman.

COLORADO LIQUOR RETAILERS ASSOCIATION,
Denver, Colo., March 18, 1982.

HON. GORDON J. HUMPHREY,
U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: The use of false identification has always been a problem for liquor retailers for many reasons. First, minors feel they have been given a license to use and abuse beverage alcohol. Second, our businesses are in jeopardy.

Many of the fraudulent identification cards, purchased through the mail bearing false statements of age, are more official looking than the identification issued by the State. This is very confusing to new employees, no matter what training they have been given, and in poorly lighted lounges.

As retailers we are also concerned for the children in our lives. Age limits have been set to protect the child itself. Minors are not physically or emotionally mature enough to use our product in a responsible way.

We, of Colorado Liquor Retailers Association, fully support Senate Bill 2043, that will impose fines and/or jail sentences on business firms which mail false identification to a minor without first verifying the individual's age.

As a member of both National Liquor Stores Association and National Licensed Beverage Association, we will urge the endorsement of Senate Bill 2043 by our national associations and the state associations affiliated with them.

Sincerely,

SONJE LINN,
Executive Secretary.

STATE OF NEW HAMPSHIRE,
STATE LIQUOR COMMISSION,
Concord, N.H., February 5, 1982.

HON. GORDON J. HUMPHREY,
U.S. Senator,
Dirksen Senate Office Building,
Washington, D.C.

DEAR SENATOR HUMPHREY: I would like to congratulate you for sponsoring legislation that would make it a crime for a company to issue an identification card to an individual, without first making a determination as to the authenticity of the birth

date statistics provided them by the applicant. As Chief of Liquor Law Enforcement in New Hampshire, I am continuously being confronted with problems arising from the use of false identification cards. The availability of these false credentials from sources outside the state creates chaos for both the retailers who are in the business of selling alcoholic beverages, and for the enforcement officers whose responsibility it is to insure the proper application of liquor laws. New Hampshire law provides a defense for anyone making a sale to an underage person, if they accepted as proof of age, "some official document representing that the person was 20 years of age." The difficulty stems in the expectation that the store owner or his employees can make the determination as to what is, and what is not, an official document. These false ID's are prepared in a professional manner, and in many instances closely resemble authentic official documents.

I have asked the State Attorney General's office over the past years to try and intercede with Federal Authorities to resolve this problem but have not been successful. I do not know whether it would stand constitutional challenges, but my suggestion would be to prohibit identification cards from being mailed across state lines. I thank you for your interest in this matter Senator, and if I might add a personal note, I have no quarrel with your voting record either.

Yours very truly,

WILLIAM S. TASSIE, *Chief,
Liquor Law Enforcement.*

STATE OF NEW YORK,
DIVISION OF SUBSTANCE ABUSE SERVICES,
OFFICE OF ALCOHOLISM AND SUBSTANCE ABUSE,
Albany, N.Y., March 10, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senator,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: I was pleased to receive your letter concerning your introduction of Senate bill 2043 which is directed at controlling the issuance of false ID's to young people.

Substance abuse, including alcohol and other drugs, among teenagers is an extremely serious problem in today's society and the reason for our concerted efforts in prevention in New York State. We are always interested in hearing about efforts directed at the prevention of this problem among our young people.

Please contact me if I can be of any assistance in any matter concerning the prevention of substance abuse among our youth.

Sincerely,

J. NEIL HOOK,
Assistant Director for Prevention Services.

NATIONAL CONFERENCE OF STATE LIQUOR ADMINISTRATORS,
Newark, N.J., March 8, 1982.

Hon. GORDON J. HUMPHREY,
*Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR: This will acknowledge, with thanks, your very thoughtful letter concerning your introduction of Senate bill 2043 which would impose fines and/or jail sentences on business firms which mail false ID's to minors without first verifying the individual's age.

Your bill would further assess a maximum penalty of \$5,000, ten year jail sentence, or both, on commercial suppliers who provide such false ID documents to minors through the mail.

I fully agree with you that the easy acquisition of false ID's is a contributing factor to alcohol abuse, and that the time has come for action to prevent commercial mail order houses from supplying false ID's. The National Conference of State Liquor Administrators is certainly interested in counteracting fraud in any form which may have a deleterious effect on alcoholic beverage control. I might add that in New Jersey the mere presentation of such an ID to which you refer would not be an adequate defense to the sale and service of alcoholic beverages to a minor.

In order to have such adequate defense, the licensee must establish that the minor (a) made a representation in writing at the time of the said sale that he or

she was of statutory age; (b) that the licensee or his agent relied upon such written representation; and (c) that the minor appeared to be 19 years of age or older.

I want to thank you for taking the time to write to me, and for your efforts in the promotion of sound alcoholic beverage control.

Sincerely yours,

JOSEPH H. LERNER, *President.*

STATE OF MINNESOTA,
DEPARTMENT OF PUBLIC SAFETY,
St. Paul, Minn., March 11, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: Congratulations on your sponsorship of S. 2043. I heartily applaud your effort and hopefully look forward to your success.

We have long been concerned with false identification coming into Minnesota from other states. Now it appears that there is an escalation as well as sophistication of these practices.

It is a problem not only for law enforcement but also for the beer and liquor industry who has to make decisions on who to sell to and who not to. The use of false identification can be very costly to the industry both in terms of civil litigation as well as criminal penalties.

The alcohol abuse problem evidenced by our youngsters today is in part due to those unscrupulous vendors who profit by the dissemination of false identification cards for the purpose of purchasing alcohol illegally.

My best wishes go out to you and the success of your bill, this type of problem can only be corrected at the Federal level.

Yours truly,

JOSEPH V. NOVAK,
Director, liquor control division.
By WALTER E. PERLT,
Chief of Enforcement.

CITY AND COUNTY OF HONOLULU,
LIQUOR COMMISSION, DEPARTMENT OF FINANCE,
Honolulu, Hawaii, March 10, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: Thank you for the opportunity to comment on Senate bill 2043, which you have recently introduced with a view to restricting the availability of false identification cards to minors.

After receiving your letter, I made a brief inquiry of some of our more prominent night spots and asked about the extent of the false ID card problem. The majority of those with whom I spoke acknowledged the existence of the "OFFICIAL IDENTIFICATION CARD." They also stated that they do not honor these cards because of our enforcement policies. Our position is that any identification card presented must be from a valid agency and not of questionable source.

My personal opinion is that the false identification is more frequently presented at package stores than at disco or night club operations. Exposure time at the package store for both the minor purchaser and the not too particular seller is limited. It is from such purchases that the minors secure much of their liquor.

The statistics you offer from the 1978 survey are probably on the conservative side and do not begin to express the depth of the problem of drinking among the youth of the United States. Surely, it cannot be argued that the action proposed by S. 2043 would not be a step in the right direction. Any action that will assist in the control of this problem merits consideration.

I heartily support you in your efforts to bring an additional measure of control to the problem of use of alcohol by those who are under age.

S. 2043 would, if it were to become law, provide one more difficulty for the underage would-be drinker. I cannot conceive of how the bill would offend or offer a problem to any legitimate business.

Respectfully yours,

EUGENE T. CARSON,
Liquor Control Administrator.

OREGON LIQUOR CONTROL COMMISSION,
Portland, Ore., March 10, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR MR. HUMPHREY: Your March 1, 1982 letter directed to Mr. Chandler, who served as the Chairman of the Commission until July 1980, has been forwarded to me for response.

We are appreciative of your effort to introduce a bill that is designated to combat the growing abuse of fraudulent identification within the United States. The mail order type of identification, mentioned in your letter, which is available to minors, is a constant problem within our state. Your proposal, recommending imposing criminal sanctions on business firms involved in mailing false identification to minors, is a step in the right direction.

I would be interested in obtaining a copy of your proposed bill to share with my staff. If I can be of further assistance in this matter, please do not hesitate to contact me.

Thank you for your interest and effort.

R. B. EVANS, Sr.,
Enforcement Director.

STATE OF CONNECTICUT,
DEPARTMENT OF LIQUOR CONTROL,
March 11, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

Re: S. 2043.

DEAR SENATOR HUMPHREY: The problem of falsified ID's is a major one in the State of Connecticut, that allows minors to illegally purchase and consume alcoholic beverages.

I have not read your new proposed Bill S. 2043, but I would support the concept of it as you have outlined in your letter of March 1, 1982.

Thank you for advising me of your effort.

Very truly yours,

JOHN F. HEALY, *Chairman.*

STATE OF COLORADO,
DEPARTMENT OF REVENUE,
Denver, Colo., March 9, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: I was very pleased to receive your letter of March 1, 1982 regarding S.B. 2043 mailing false IDs to minors.

As the Chief of the Colorado State Liquor Enforcement Division, I am very concerned about the prevalent use of false IDs by minors to purchase liquor illegally in Colorado.

Our enforcement officers teach an I.D. program to Colorado liquor retailers and emphatically describe the professional false IDs that are readily available from mail order houses. (Attached are some examples).

By using the false IDs to buy liquor, the minor is not only violating the Colorado Liquor Code but jeopardizes a legitimate place of business as well.

As an officer of the National Conference of State Liquor Administrators, I will share your letter with the executive committee and ask for the organization's endorsement of S.B. 2043.

Sincerely,

MARVIN D. ELLER,
Chief, Liquor Enforcement Division.

STATE OF SOUTH CAROLINA,
ALCOHOLIC BEVERAGE CONTROL COMMISSION,
Columbia, S.C., March 9, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: The South Carolina Alcoholic Beverage Control Commission shares your concern about false identification cards and agrees that it is a problem that can only be properly attacked by the federal government.

The Commission supports the passage of S. 2043.

Sincerely,

MILLER S. INGRAM, *Chairman.*

STATE OF RHODE ISLAND AND PROVIDENCE PLANTATIONS,
DEPARTMENT OF BUSINESS REGULATION,
Providence, R.I., March 10, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: I am in receipt of your March 1, 1982, correspondence regarding your recently introduced Senate bill 2043, which imposes fines and/or jail sentences on business firms that mail false identifications to a minor without first verifying the individual's age.

This Department is in favor of such legislation and commends you for pursuing a matter of importance to the Liquor Control Administration.

Very truly yours,

LOUIS H. PASTORE, Jr.,
Liquor Control Administrator.

STATE OF ALABAMA,
ALABAMA ALCOHOLIC BEVERAGE CONTROL BOARD,
Montgomery, Ala., March 4, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: I have received your letter of March 1, 1982, pertaining to Senate Bill 2043. This legislation would contribute to more effective control of the sale of alcohol beverages.

If the Alabama Alcoholic Beverage Control Board can be of assistance in passing Senate Bill 2043, please feel free to call.

Sincerely yours,

JOE B. BROADWATER, *Administrator.*

STATE OF MISSOURI,
DEPARTMENT OF PUBLIC SAFETY,
DIVISION OF LIQUOR CONTROL,
Jefferson City, Mo., April 19, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: The problem of minors and alcohol is of concern to members of the beverage alcohol industry as well as those of us in government.

I support your legislation. Regardless of the reasons given by manufacturers for why these I.D.'s are produced, I believe it is clear that they are intended for youngsters and to be used to purchase alcoholic beverages.

Very truly yours,

JAMES A. FRANKLIN, Jr.,
Supervisor of Liquor Control.

STATE OF FLORIDA,
DEPARTMENT OF BUSINESS REGULATION,
Tallahassee, Fla., March 15, 1982.

Hon. GORDON J. HUMPHREY,
*U.S. Senate,
Dirksen Senate Office Building,
Washington, D.C.*

DEAR SENATOR HUMPHREY: The information contained in your letter dated March 1, 1982 is highly reflective of the problems associated with the use of false identification cards among minors. The easy acquisition of false ID's is certainly a contributing factor to alcohol use and abuse among our young people today. We have found while investigating cases involving sale of alcoholic beverages to minors, a high percentage of these cases minors were in possession of false ID cards.

Approximately 20,000 teenagers are killed annually nationwide because of drunk driving. Alcohol is the number one abused product among our youth today. Putting false ID companies out of business could help decrease these grim statistics.

Another area in which this type of legislation could be helpful, involves the "free birth certificate" advertised in many instances by these illicit operators. Many of the companies that are in the false identification business provide the buyer with a free blank birth certificate. For example, the buyer could use his "new birth certificate" to obtain a driver's license from that state.

When one of the ID companies is closed down in one state, they simply move to an adjoining state and resume their lucrative business. Federal assistance is needed in this situation and we wholeheartedly support your legislation to put false identification card companies out of business.

Sincerely yours,

CHARLES A. NUZUM,
Director, Division of Alcoholic Beverages and Tobacco.

Senator HUMPHREY. Then I think that covers it pretty well. I know you are busy, and I thank you for the opportunity of appearing before the committee this morning.

Mr. HUGHES. Senator, we are indebted to you for your statement as the basis for moving ahead, and we thank you for your leadership. We want to commend you for your leadership, you and Henry Hyde in particular. I know you have been very, very concerned about the abuses in this area.

Mr. SAWYER. I have one question. The bill, H.R. 6105, is limited to the mail. Do you have any objection to broadening it to include any kind of interstate transportation?

Senator HUMPHREY. Not at all. As a matter of fact, in reviewing the matter this morning in preparation, it occurred to me that there are other ways to transmit, other than mail across State lines, parcels and so on, and I would have no objection, providing

that it did not endanger the passage of the bill. I think we need something soon. We do not want to necessarily wait for the most perfect bill.

Mr. SAWYER. I was thinking that in markup, we might broaden it to include things like Federal Express, truck shipment, or whatever.

Senator HUMPHREY. Yes.

Mr. HUGHES. We thank you very much, Senator.

Senator HUMPHREY. Thank you.

Mr. HUGHES. I am pleased to welcome this morning our good friend and distinguished colleague on the House Judiciary Committee, Henry J. Hyde, the Representative from the Sixth District of Illinois.

Henry Hyde and I were elected to Congress in 1974 and served together on the Judiciary Committee since that time. Mr. Hyde has had a most distinguished career before he came to Congress. He was a trial lawyer in Chicago, and in the Illinois Legislature. Today he is testifying on behalf of H.R. 352, which he has sponsored. The bill, as I have indicated, is very similar to legislation offered by Senator Humphrey and which has been pending in Congress since 1975 when it was introduced by Senators Thurmond and Eastland.

We welcome you this morning, and your statement without objection will be made a part of the record. You may proceed as you see fit.

TESTIMONY OF HENRY J. HYDE, A REPRESENTATIVE IN THE CONGRESS FROM THE STATE OF ILLINOIS

Mr. HYDE. Thank you, Mr. Chairman. I cannot tell you how delighted I am to have this opportunity to testify concerning an area that is too long neglected and cries out for some Federal legislation because it has wide-ranging impact. I do not think people have thought too much about what the economic, not to say criminal, impact of false ID can be.

Take, for example, a major credit card—American Express, Visa, or anything. I just choose those for hypothetical illustrations. A lot of money and goods are obtained through the use of stolen or false credit cards and it is not recovered. That becomes a tax loss to the company.

They do not publicize these things; but they are there and they are substantial. That is lost revenue to the Federal Government, and that is one area that has an enormous impact.

I dislike having to read my statement, but it is a tight one and it says everything I want to say, so I will move along very quickly.

Before proceeding, I want to thank particularly minority counsel Deborah Owen who is the last word on this legislation. She has worked on it for the years she has been here with me and Fran Westner, my legislative assistant.

Mr. HUGHES. Who was that?

Mr. HYDE. Deborah Owen, the minority counsel, the young lady sitting up there so demurely.

Mr. HUGHES. I just wanted to get her identified.

Mr. HYDE. She is the world's greatest expert on this legislation. Fran Westner is the world's greatest expert and legislative assistant. I also want to thank you and Hal Sawyer and the subcommittee staff—Hayden Gregory and Eric Sterling—who have been most helpful.

In early 1977, Frances Knight, who was then Director of the Passport Office, called my attention to a report which had just been issued by the Federal Advisory Committee on False Identification [FACFI]. The report culminated a 2-year study conducted under the auspices of the Justice Department, and concluded that false identification crime was a serious national problem that had gone unchecked for far too long.

This report is fascinating reading. I did read it. I marked up a copy, and it excited me as to the need for this legislation. It has stayed with me over the years.

A growing horde of criminals is using the cover of false credentials in drug trafficking, credit card fraud, passport fraud, illegal immigration, welfare fraud, terrorist activities, and other aspects of organized crime. All of this was estimated to cost American taxpayers over \$10 billion annually in 1976. No one really knows the cost of the false ID fraud to our taxpayers today.

The horror stories about crimes committed with the use of false ID's are endless, but I feel it is particularly important to mention a few: Bernard Welch, the convicted murderer of Washington heart specialist Dr. Michael Halberstam, was found to have more than 20 false identities that police believed he used in fencing stolen valuables. Kristina Bersten, a member of the Baader-Meinhof gang of terrorists in West Germany, used an altered Iranian passport to cross the Canadian border before she was caught in Vermont.

A well-known terrorist, Carlos, "The Jackal," uses all varieties of false identification as he travels from country to country.

This bill is not going to have limited impact on these overseas abuses; but it highlights the fact that we certainly ought to do more in our own country on this issue.

This is most interesting. The attorney general of Illinois, Tyrone Fahner, recently said that spot checks during a 2-week period showed that, of 591 aliens who applied for jobless benefits, 266, or 45 percent, were illegal aliens who were not entitled to such benefits. Every one of the 266 illegal aliens had a counterfeit card that showed him to be in the United States legally. Mr. Fahner has estimated that unless the practice is stopped, illegal aliens in Illinois will be able to collect as much as \$66 million a year in fraudulent unemployment benefits.

False identification fraud is a *modus operandi* and not a separate category of crime which makes accurate statistics very difficult to obtain. The FACFI report revealed really only the tip of a vast iceberg of unknown criminal dimensions. Why? The use of fraudulent ID is not, in all cases, or even in most cases, a Federal crime. While there are certain criminal statutes pertaining to the use of specific Federal identification documents, such as social security cards, current Federal law is insufficient to deal with the length and the breadth of false ID crime, particularly where State documentation is involved.

False ID crime is one of those so-called victimless crimes about which we hear so little, but which, when examined closely, is astonishing in scope and impact.

I am making arrangements for the members of this subcommittee to view a video tape of a 1977 "60 Minutes" segment entitled, "False ID."

It is most enlightening and I really hope that everyone gets to see it.

In addition, WTRF-TV of Wheeling, W. Va., has just aired a documentary on false ID fraud. WTRF has made a video tape of their documentary available to me, and I intend to include it in the special viewing. I hope we can make these arrangements in the near future. I strongly urge all of you to attend, because you will see vivid examples of the false ID trip.

I would like to call your attention to one of the exhibits you have before you, an advertisement for a book distributed by Eden Press of Fountain Valley, Calif., entitled "The Paper Trip." This book will tell you all you ever need to know about creating a new identity, and advises you that "your new ID will be undetectable because it will be official."

The report refers to fraudulent birth certificates as the "breeder document" because they are available virtually everywhere in the United States and applications for copies are not scrutinized. All you need do is apply. For about \$2 it is easy to get a birth certificate of someone around your own age. Birth certificates of deceased persons are often desired, and many avidly read the obituaries in the newspapers so they know in which name and where to apply. The situation is exacerbated by the fact that birth and death certificates are usually not matched. The cost to do so would be astronomical.

Once the birth certificate is received, you then apply for the social security card. From then on, it is easy to create a new identity, driver's license, bank account, credit cards—the list goes on and on.

If you do not want to bother obtaining a real birth certificate, there are many firms scattered around the country that will produce a fake one for you for about \$3. For additional money, a complete fictional identity can be created including high school and college diplomas, marriage certificates, divorce certificates, press passes, karate black belt certificates, and even last wills and testaments. Some firms will also provide a phony lease agreement for a house or apartment, a bill of sale for a car, and in case you do not have a good enough imagination to create a false identity, you can buy Eden Press' "The Paper Trip" to which I referred to earlier.

In other words, you can obtain all the false credentials you desire.

Attached to my statement is a brief description of H.R. 352. I believe legislation of this type is essential for two basic reasons. First, current Federal statutes, which are many and varied and focus on specific documents, contain loopholes which render them ineffective and create jurisdictional gaps between Federal and State statutes. Second, Federal statutes do not reach State documents, such as birth certificates, which are used to acquire Federal documentation. H.R. 352 would correct these deficiencies.

I hope that this subcommittee, after listening to the testimony presented this morning and after reviewing the video cassettes which we will arrange for, will review H.R. 352, Congressman Sawyer's legislation, H.R. 6105, and Senator Humphrey's, bill and recommend that or similar legislation to the full Judiciary Committee for action at the earliest possible date.

Federal legislation in this area has two advantages. First, it will address the interstate aspects of these crimes that are beyond the reach of State and local governments. Second, we can show the way to State and local authorities by adopting strong false ID legislation with tough penalties. This would drastically reduce the trafficking in such documents. We must crack down on both the false ID users, particularly the criminal element, and the storefront operations which promise to create a new ID that will be undetectable because it will be official.

In conclusion, I want to again express my appreciation to you for scheduling this hearing on an issue which has been largely ignored until now. The cost of false ID fraud to the American taxpayer and consumer is astronomical. The General Accounting Office estimates the cost to taxpayers to be \$15 billion a year in Government benefits paid to unqualified applicants using fake or stolen social security cards. That is \$15 billion—and does not include all the other types of false ID fraud perpetrated against the consumers. It is a problem of vast dimensions and we ought to address it. I am hopeful that we will finally take action this year before a serious and costly problem gets worse.

Mr. Chairman, in conclusion I ask the unanimous consent of this committee that transcripts of the May 16, 1977, "60 Minutes" segment entitled "False ID's" as well as the transcript of the mini-documentary "A.K.A.," the "ID Fraud" by Susan Brozek of WTRF-TV of Wheeling, W. Va., be included in the hearing record.

Mr. HUGHES. Without objection it will be so ordered.

[The statement of Mr. Hyde follows:]

PREPARED STATEMENT OF REPRESENTATIVE HENRY J. HYDE

Mr. Chairman and members of the Subcommittee on Crime, I very much appreciate the opportunity to appear before you today on behalf of the False Identification Crime Control Act, H.R. 352, legislation I have sponsored since the 95th Congress.

Before proceeding, I want to express particular thanks to counsel on the Republican side of the subcommittee, Deborah Owen, for her superb assistance in helping to advance this legislation. I also want to express my thanks to you, Mr. Chairman, and to your subcommittee staff, particularly Hayden Gregory and Eric Sterling, who have been most helpful in arranging for this hearing.

In early 1977, Frances Knight, then Director of the Passport Office, called my attention to a report which had just been issued by the Federal Advisory Committee on False Identification (FACFI). The report culminated a 2-year study conducted under the auspices of the Justice Department, and concluded that false identification crime was a serious national problem that had gone unchecked for far too long.

A growing horde of criminals is using a cover of false credentials in drug trafficking, credit card fraud, passport fraud, illegal immigration, welfare fraud, terrorist activities, and other aspects of organized crime—all of which was estimated to cost American taxpayers over \$10 billion annually in 1976 when the FACFI report was issued. No one really knows the cost of false ID fraud to our taxpayers today.

The horror stories of crimes committed with the use of false identification documents are endless, but I feel it is particularly important to mention only a few: Bernard Welch, the convicted murderer of Washington heart specialist Dr. Michael Halberstam, was found to have more than 20 false identities that police believed he used in fencing stolen valuables. Kristina Bersten, a member of the Baader-Meinhof

gang of terrorists in West Germany, used an altered Iranian passport to cross the Canadian border before she was caught in Vermont by Federal authorities, and then deported.

The well-known terrorist, Carlos, "The Jackal", uses all varieties of false identification as he travels from country to country.

While we cannot legislate concerning overseas abuses, we can certainly do more in our country on this issue.

The attorney general of Illinois, Tyrone Fahner, recently said that spot checks during a 2-week period showed that of 591 aliens who applied for jobless benefits, 266, or 45 percent, were illegal aliens who were not entitled to such benefits. Every one of the 266 illegal aliens had a counterfeit card that showed him to be in the United States legally. Mr. Fahner has estimated that unless the practice is stopped, illegal aliens in Illinois will be able to collect as much as \$66.2 million a year in fraudulent unemployment benefits.

False identification fraud is a "modus operandi" and not a separate category of crime, which makes accurate statistics impossible to obtain. The FACFI Report revealed really only the tip of a vast iceberg of unknown criminal dimensions. Why? The use of fraudulent ID is not, in all cases, or even in most cases, a Federal crime. While there are certain criminal statutes pertaining to the use of specific Federal identification documents, such as social security cards, current Federal law is insufficient to deal with the length and the breadth of false ID crime, particularly where State documentation is involved.

False ID crime is one of those subtle, so-called "victimless crimes" about which we hear so little, but which, when examined closely, is astonishing in scope and impact.

I am making arrangements for the members of this subcommittee to screen a video tape of a 1977 "60 Minutes" segment entitled, "False ID." In addition, WTRF-TV of Wheeling, West Virginia, has just aired a documentary on false ID fraud. WTRF has made a video tape of their documentary available to me, and I intend to include it in the special viewing I'm arranging. I hope we can make these arrangements in the near future, and I urge all of you to attend, as you will see vivid examples of the false ID trip.

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H.R. 352 would add two new sections to title 18 of the United States Code which would make it a Federal offense to:

(1) knowingly use or supply false documentation to obtain any Federal identification document;

(2) travel in interstate or foreign commerce or knowingly utilize any interstate or foreign commerce facility to transport false identification, for the purpose of obtaining any identification document issued by a State or local government;

(3) counterfeit, alter, or use in violation of law, for consideration, any Federal identification document;

(4) counterfeit, alter, or use in violation of law, for consideration, an identification document issued by a State or local government, knowing it is used or intended for use in obtaining a Federal identification document;

(5) sell a State or Federal identification document, knowing it has been counterfeited or altered or is being or is intended to be used to obtain a Federal identification document;

(6) travel in interstate or foreign commerce or use a facility of interstate or foreign commerce to move a Federal, State, or local identification document, knowing that it is counterfeit or altered or is being or is intended to be used in violation of Federal or State law; and

(7) possess or use, or attempt to use, with an intent to defraud, a counterfeit or altered Federal identification document or, knowing that the document is to be used in obtaining Federal identification, any State or local identification document.

Penalties in H.R. 352 are \$10,000 fine, 5 years imprisonment, or both.

Mr. Chairman, I ask unanimous consent that the transcripts of the May 16, 1977 "60 Minutes" segment entitled "False ID," as well as the transcript of the minidocumentary "A.K.A.—the I.D. Fraud," by Susan Brozek of WTRF-TV 7 in Wheeling, W. Va., be included in the hearing record.

[From the Congressional Record, May 24, 1977]

"60 MINUTES" MAY 16, 1977—"FALSE ID"

MIKE WALLACE. More than \$10 billion a year—that is how much fake ID costs this country. That's the conclusion of a special Federal task force that's been looking into the problem of fake ID for more than a year now. They have found that fake ID is used by everyone from the Weathermen underground, hiding out from the FBI, to illegal aliens to heroin smugglers, who use it to slip past our borders. Fake ID, in short, has ballooned into a national problem of massive proportions. And it may interest you to know that the film you're about to see, which we first broadcast about six months ago, is now being used to train U.S. passport officers and consular officials on the problem of fake ID.

How easy is it to get fake ID? Well, you can step into stores like these in just about any city in the country, and five minutes later walk out with a laminated ID card. Or you can send your picture to small outfits like Eden Press in California. For five dollars, they'll sell you what appears to be an official state ID card from any state in the country you want and with any name you want. And it's all legal. They also do a smaller business in what appears to be (but are not) official birth certificate forms, high school and college degrees.

Barry Reid runs Eden Press.

BARRY REID. Well, I originally began because I wanted to help people who've had severe defects in their background, such as through bad service records, credit records, bad marriage, business failing of some kind, or even a criminal background—people who wanted seriously to begin a new life with a new identification.

WALLACE. Barry Reid's fastest moving item is a pamphlet called "The Paper Trip"—a do-it-yourself guide to establishing false ID in what Reid says is the most foolproof way, not by getting the kind of identity cards that he prints up, but by getting the real thing—documents issued to you under an assumed name by the Government itself.

Walking proof that the process really does work is this young man, Matthew Steen, alias Eric Gilbert Dietz, alias T. Swingle Frick, III, alias Romey Tormey. In 1970, while a student at Berkeley, Steen went underground as a member of the militant Weathermen organization. Before he was arrested in 1971, Steen says he had obtained a hundred-fifty different identities—almost all of them courtesy of various Government agencies.

What kind of documents are we talking about?

MATTHEW STEEN. Birth certificates, notarized birth certificates, driver's licenses from various states, occasionally Social Security cards, and other superficial types of identification, like library cards, et cetera.

WALLACE. And you had no real difficulty in doing this?

STEEN. No.

WALLACE. By the time the FBI got to him in 1971, Steen acknowledges he had used various fake ID's to rip off the Bank of America. He'd buy a set of Travellers' Checks; then, a couple of weeks later, claim they'd been lost or stolen—and get replacements. He had doubled his money.

How much did you make this way?

STEEN. Somewhere between fifty and a hundred thousand dollars.

WALLACE. Among the official documents Matt Steen obtained under assumed names was a U.S. passport. Well, for decades, the head of the passport office in Washington has been keenly aware of the fake ID problem—Frances Knight.

MS. FRANCES KNIGHT. This has been going on for years. Identify fraud is nothing that—that is new in this Administration or in this decade. And yet, nobody—including the—the brains of the Department of Justice—have been able to come up with anything to stop it. It's been increasing.

WALLACE. The key to building a false identification is getting this precious document, a certified copy of a birth certificate. This one was issued with little fuss, right here in the Municipal Building in downtown Washington, where they have a record, as you can see, of everyone ever born in the District of Columbia.

Across the country there's a hodge-podge of offices like these, more than 7,000 of them in the cities and counties and state capitals, which can issue copies of such birth certificates. And what do you have to do to get one of these? Just jot down a few facts about yourself or about the person whose name, whose identity, you are illegally assuming.

The man in charge of the Washington, D.C. office is John Crandall. I asked Mr. Crandall if it might not be possible that the young woman in the checkered shirt whom we were filming was an imposter, applying for the certificate of a person who had actually died years ago.

JOHN CRANDALL. We would have no way of knowing. That's right.

WALLACE. And you just don't know?

CRANDALL. No, we don't. We have no way of telling at this point.

WALLACE. So what you have here is a legal document that this woman can use—for whatever purposes.

CRANDALL. For whatever purpose. To claim estates, to inherit money, to get passports, to get unemployment. For almost anything.

WALLACE. And if she were an imposter—I'm sure she's not, but if she were an imposter—she could use it for fraudulent purposes?

CRANDALL. Yes, she certainly could.

WALLACE. To rip off whatever she wanted to rip off?

CRANDALL. I think I better ask her if she's going to.

Here you are, Miss Diane. You're not going to use that for fraudulent purposes, are you?

MISS DIANE. No.

CRANDALL. No. [Chuckling]

MISS DIANE. No, of course not!

WALLACE. In fact, that young woman was an imposter. Her real name is Lucy Spiegel and she is a 60 MINUTES researcher. The certified birth certificate she got was that of a child who had died almost twenty years before. But the people in the

D.C. Birth Records Office had no way of knowing that. You see, most places, when someone dies, no note of that is made on his or her birth certificate.

Over the weeks that followed, we set out with Lucy to see just how impressive a set of documents she could accumulate—all of them ID's issued by Federal or state agencies—all of them obtained under an assumed name, just as if Lucy herself were a fugitive from the law.

The first test of her new birth certificate came when Lucy turned up at a State of Maryland office to apply for an official-looking Age of Majority Card, issued in place of a driver's license to young people for everything from proving they're old enough to buy a drink, to cashing a check.

CLERK. Your birth certificate, please.

WALLACE. Aside from that birth certificate, Lucy also presented an ID card she'd been issued just a few hours earlier by the State Employment Office, for which she had had to show absolutely no ID whatsoever.

In all the government offices where we filmed, the people in charge knew that we were doing a story on false ID, but they did not know that the applicant we spent the most of our time filming was actually our researcher and that she was applying under an assumed name.

I asked the State of Maryland examiner if just possibly, despite her ID, Lucy might not be an imposter.

There's a big market in—in false ID.

EXAMINER. Yeah.

WALLACE. And so all of this could be false. She looks like an honest person—person. That's an awful thing to say.

EXAMINER. Yeah, it could be. It could be.

WALLACE. And she could use this to—rip off a bank, forge a check, open a charge account—and with no intention of paying.

EXAMINER. She could.

WALLACE. Ten minutes later, Lucy received her ID card.

EXAMINER. Miss? Everything's right? Name? Date of birth?

LUCY. Uh-huh, yup, that's it.

WALLACE. Next step—applying for a Social Security number, and that's the nearest thing we have to a national identity card. You used one for opening a bank account or filing income tax returns, for getting a job, collecting unemployment insurance or welfare benefits. To get such a card, you must have good current ID—and, once again, a birth certificate.

SOCIAL SECURITY CLERK. Do you have a proof of age with you?

LUCY. I have my birth certificate.

SOCIAL SECURITY CLERK. May I see it, please?

All right, thank you very much. You should be receiving this within six weeks.

WALLACE. Next, the State of Maryland Welfare Office, where Lucy went to sign up for food stamps under her assumed name—a felony under Federal law. Nationwide, the cost of food stamps has mushroomed to almost six billion dollars a year. With her new ID cards, Lucy had no trouble passing a routine interview with a skilled social worker. She also presented some fake letters to prove that she was needy.

I asked the social worker if there wasn't a problem with people using false ID's to get food stamps—because I heard in some testimony before the Congress there was one woman in Arkansas who got 23 different food stamp cards.

SOCIAL WORKER. You know, it's practically impossible for us to go into great detail. We ask for identification and we use what you—we get.

So this is yours now, and you should carry it with you at all times.

LUCY. Okay.

DRIVING INSPECTOR. Learner—Learner's card, please.

WALLACE. Next step—to apply for a vital piece of ID—a driver's license, required for cashing checks, for all manner of transactions. To get her Maryland license, Lucy presented the learner's permit she had received by mail (no ID had been needed to get it) and then, again, that certified copy of a birth certificate. Most of us consider a driver's license to be proof positive that a person is who she says she is. But many of those who issue driver's licenses know better.

DRIVING INSPECTOR. We sell the driver's license to drive a car with. If they—people want to take this as identification, that's entirely up to them.

WALLACE. A few days later, Lucy received her driver's license in the mail, in someone else's name.

But one of the most valued pieces of identification in the world today is this one—a U.S. passport. American passports are produced under the tightest security, with sophisticated printing techniques designed to make forgery difficult. The black-

market price of a genuine U.S. passport can run as high as \$5,000. The customers? Military deserters, illegal aliens, drug smugglers, organized crime. With such a false passport, they can walk right past the keen-eyed inspection of U.S. Immigration officers. They have a watch list of more than 40,000 individuals wanted by assorted agencies from the FBI to Selective Service, but that list won't do them much good if a criminal is travelling with a passport issued in somebody else's name.

IMMIGRATION AGENT. As far as Immigration purposes, we have to verify that the picture in the passport matches the person coming in.

60 Minutes Producer BARRY LANDO. And if it matches?

IMMIGRATION AGENCY. If it matches, then it's good.

WALLACE. To get a passport under another name, a person doesn't have to steal or forge one; he can just apply for one—with false ID—a felony under Federal law.

To apply for her passport under an assumed name, Lucy just walked into a post office in Bethesda, Maryland, filled out an application and produced some of the ID's she had collected. Two weeks later, her false passport arrived in the mail.

The total take from Lucy's paper chase? A certified copy of a birth certificate; a temporary letter from the Social Security office (her Social Security card followed a few weeks later); a Maryland driver's license; a Maryland Age of Majority card; a State unemployment card; a food stamp card; and a gold-embossed American passport.

Now, of course, people collect false ID with a purpose. Last year, American businessmen lost more than a billion dollars accepting checks that ultimately bounced, and most of the people they got those checks from used fake ID.

Lucy opened a checking account at a Maryland bank. And then, armed with a personalized set of checks but little money in her account, she demonstrated just how great a menace a person with a collection of fake ID can be.

A reflex camera in the window of a D.C. camera shop caught Lucy's eye.

CAMERA SHOP MERCHANT. The price is ninety-five dollars, and there's a four-seventy-five dollar tax.

LUCY. Okay.

MERCHANT. Ninety-nine-seventy-five.

LUCY. All right.

MERCHANT. You pay by check, right?

LUCY. Right.

MERCHANT. Okay.

WALLACE. With her purse full of fake ID, Lucy had no problem getting her check accepted.

As far as you're concerned, this lady's okay?

MERCHANT. Yes.

WALLACE. You're sure?

MERCHANT. I'm quite sure.

WALLACE. Another purchase at a nearby store—a denim suit and blouse. Price tag: ninety-three dollars.

On a sunny afternoon in Georgetown, Lucy picked up a Bulova wristwatch for ninety-three dollars.

Then came a smart woman's blazer and slacks: seventy-five dollars.

Finally, a lamb's wool coat for two hundred thirty-six dollars and twenty-five cents.

Total amount of goods purchased: six hundred and thirty-six dollars and thirty cents. Yet, Lucy had only about a hundred dollars in her account under a phony name.

Now, if she had wanted to get away from it all and set up in another city with another identity, no problem there either. Lucy simply walked into an Eastern Airlines ticket office in downtown Washington and picked up a one-way ticket to Mexico City on a flight due to leave that evening. Again, the people at Eastern Airlines knew we were doing a story on false ID, but they had no notion that Lucy had any connection with us.

To pay for her ticket, she wrote a check under her assumed name for a hundred and sixty-one dollars and twenty-five cents, and backed up that check with her false ID.

AIRLINE AGENT. . . . One-way. Check-in one hour before departure time.

LUCY. All right.

AIRLINE AGENT. Okay?

LUCY. Okay.

WALLACE. I wonder if I could ask you some questions?

AIRLINE AGENT. Sure.

WALLACE. First of all—forgive me—this young woman could simply go to Mexico and disappear from sight, and Eastern Airlines would be out a hundred and seventy dollars-odd?

AIRLINE AGENT. That's right. Well, I'm quite satisfied that she is okay. I mean—

WALLACE. Why?

AIRLINE AGENT. Well, I just have that feeling. After all, I have been in the business twenty-eight years. I should know a little about accepting checks.

WALLACE. The key piece of ID Lucy presented to the Eastern Airlines agent to get her ticket was her U.S. passport. Well, a few hours later, we returned that document to Frances Knight, head of the U.S. Passport Office, and told her how easily Lucy had managed to get it.

Ms. KNIGHT. That's quite possible, and I'm sure that it's being done much more often than we know. We—We do apprehend some of these people who do it, and—

WALLACE. Well, if you want to go in, if I want to go in, and assume a false identity of somebody, let's say who I know is about my age but is already dead, I can do that because it won't be on that birth record.

Ms. KNIGHT. That's right. That's right. And we have been warning the Government about this for years.

WALLACE. Does it occur to you that by talking this candidly about how to put together phony ID, we are conducting a "How To" course for folks who are looking in on us at this moment?

Ms. KNIGHT. Well, I think most of the people who want to do this type of thing already know about it. There have been books written on it. There are ads in the newspapers saying, "Come to us and we'll give you ID cards, we'll give you driver's license, we'll give you military discharge papers. You name it, we've got it!"

WALLACE. So you're not worried about that. What you're saying is to the Congress of the United States or the President of the United States "Look, we've got a problem! Why don't you get off your backs and solve it?"

Ms. KNIGHT. That's a nice way of putting it, yes. I—That's what I would say. But we've been warning them for thirty-five years.

WALLACE. As we said, that film is now being used as a training film for passport officers and U.S. Consular officials. And by the way, everything our researcher, Lucy Spiegel, bought has been returned. Her phony documents have also been returned, for most of what we did was illegal. What's to do about all this? That special Federal task force on fake ID will shortly be issuing proposed solutions. They say there is no need for a national identity cards, as some people have suggested. Instead, they call for a rigorous tightening up in issuing copies of birth certificates. And they also call for some sort of nationwide system for cross-indexing births and deaths so that when a person dies, that fact will be indicated on his birth certificate.

(Announcements.)

[From WTRF-TV 7, Wheeling, W. Va.]

"A.K.A.—THE I.D. FRAUD"

PART ONE

"BETH". Everybody uses them . . . anybody that can get one.

BROZEK. And just 3 years ago . . . the young woman who made that statement was herself using fake ID.

At age 15, Beth was a prostitute in the Wheeling area . . . her first crack at a new identity provided more than willingly by her pimp.

"BETH". He thought it would be a good idea since I was so young and I really couldn't go very many places. So, you know, he asked me if I wanted one, you know, and of course I said yes 'cause I wanted to get into the bars and stuff. And he made it up.

BROZEK. The combination of a fake ID and prostitution evidently paid off well for Beth's pimp, because soon she was given still more cards . . . changing her name, her background, and for a night—her identity.

"BETH". Levone, Stacy, Christina. Just every name, you know, I could think of . . . anything that I liked—I was.

I liked pretending, you know, I liked being someone else, I liked being older and stuff.

BROZEK. Beth's experiments with fake ID's are not part of an isolated case. Every year in the United States, thousands of teenagers are caught up in the ID fraud.

Some mail away great distances to change their identity to get into bars, or make purchases at State stores. Others don't have to go quite that far.

BOBBY. I got it made up at the school by a friend of mine . . . in, uh, one of the commercial arts classes or something.

BROZEK. In a high school?

BOBBY. Yeah.

BROZEK. Bobby's fake ID was a picture . . . on a card . . . held together by a piece of plastic. As amateurish as it sounds, the card got by the authorities.

Jim Gessler, from the West Virginia Alcohol and Beverage Control Commission. Jim's job is to stop fake ID and it's underage carriers from entering local bars.

JIM GESSLER. In reality, it's one of those things that has been let pass by, and uh, it has been a negative situation all the way through. Uh, we have picked up some of the ID's and tried to, uh, take them to the Federal Government to see what could be done, but to date—nothing's been done on it.

BROZEK. Tomorrow, we'll see how that lack of action has led to fake ID abuse by another group in the country—fugitives from justice. The spokesman—a former member of the FBI's 10 most wanted list—convicted murderer, Ron Williams.

WILLIAMS. I had approximately five, five different identities.

BROZEK. This is Susan Brozek reporting, for TV 7 News.

[From WTRF-TV 7, Wheeling, W. Va.]

"A.K.A.—THE I.D. FRAUD"

PART TWO

BROZEK. The date—June 8, 1981. The place—New York City. West Virginia fugitive Ron Williams is captured after a shootout with FBI agents at the George Washington Hotel.

The incident ends a 19-month nationwide search for the West Virginia penitentiary escapee, who helped lead a mass prison breakout in 1979.

It's been nearly a year since Ron Williams was placed back behind bars. Today, the man who was convicted of one murder, and is a suspect in two others, reveals how false identification helped him avoid arrest for 19 months.

WILLIAMS. I was stopped . . . five times by police officers—twice for just routine stops where they'll stop you and ask for a driver's license and registration of a motor vehicle. Twice I was stopped like that and I paid it no attention. . . In fact, one of my driver's licenses was only 3 days old and I recall the state trooper mentioning that uh, it's uh, rather new isn't it?

BROZEK. Williams says he assumed at least five different aliases during his time on the run. He collected everything from birth certificates. . . to driver's licenses to social security cards.

And perhaps what is most striking about his collection of ID was that nearly every card or certificate was issued by some branch of the government.

WILLIAMS. I'll tell you one thing, if you go to one of those gin mills and pay \$5 for a social security card . . . and a driver's license . . . and a birth certificate . . . and a Diploma . . . the average person off the street can look at it and tell you that's phony. It's just as phony as a three dollar bill, practically, it stands out. It'll jump right out at you.

BROZEK. So Williams built his new identities around what is known as the "Breeder Document". It's the government issued birth certificate . . . available for a minimal fee, and almost everywhere, for a minimal hassle.

Example: Ohio County, West Virginia. Here officials say a person doesn't have to fill out any forms. They simply say who they are. The Clerks then pull out the proper files, and with few questions asked, an official stamp is punched out.

County clerk Chester Kloss says the process results in official government documents.

KLOSS. They are both legal in all respects for anything that you could legally have to have a birth certificate for.

BROZEK. Now you say they're legal in all respects, but if I walked in here using someone else's name and birthdate, and I just came in and I got that—would it actually be legal if it hasn't been thoroughly verified that I am that person?

KLOSS. You could probably pick up somebody else's birth certificate, now what you use that for . . . that would be your crime, so to speak.

BROZEK. But keeping in mind a birth certificate is the key in creating a phony identity, we asked Kloss if the process of getting one is a little too easy.

KLOSS. Oh, I'd say it's very easy for them to do that . . . Uh, how much this is practiced, or how much this done . . . I couldn't even venture a guess. But I just assume that it's pretty well abused.

BROZEK. On the state level, the birth certificate handout appears to be just about the same.

WILLIAMS. Most of the time, I would send through the mail for a birth certificate, you know, simply make out a money order, Uh, to the state that I wanted to send it out to. You can usually, you don't even have to know the address, just send it to the State Capitol in care of the vital statistics department or the health department or something of that nature. They'll receive it . . . and they'll mail you the birth certificate right back . . . Once you have that information. No, I didn't travel and get those. There were times when I did walk into one state, and just walk person to person and receive the birth certificate.

BROZEK. But getting a birth certificate is only the tip of the ID fraud iceberg . . . and how does a convict behind bars learn how to do the rest?

Tomorrow, we'll investigate answers to that question, and we'll see how the ID problem is being addressed in our Nation's Capital.

MOLLOHAN. Well, this is legislation that should have been passed a long time ago.

BROZEK. This is Susan Brozek reporting for TV 7 news.

[From WTRF-TV 7, Wheeling, W. Va.]

"A.K.A.—THE I.D. FRAUD"

PART THREE

BROZEK. "He was like a guy selling matches and gasoline . . . along with a book on how to commit arson." That's how Barry Reid was described by a prosecutor in California who helped land him behind bars.

ALLISON. Barry Reid was running the biggest false identification mill in the United States . . . and we wanted him out of business because of the harm he and his products were causing.

BROZEK. Reid is the President of Eden Press, a mail order outfit in California that produces personal ID cards and some very interesting books.

Books like the Paper Trip One and Paper Trip Two. They explain in detail how to adopt an alias and make it stick. How to avoid Government control of fake ID.

Even one man who read the books . . . and evaded the law with their help . . . raises questions about their content.

WILLIAMS. You figure a person can write anything he wants . . . but can he go so far as to advocate a person entering into the field of criminals, you know, because basically, that's what he does, even though he puts a disclaimer in it. In the front of the book that under no circumstances is this book meant to be used for criminal activity. That it's just for people trying to find a different way of life . . . that's his disclaimer . . . if you recall.

BROZEK. Do you believe that?

WILLIAMS. Of course not, no.

BROZEK. Barry Reid is temporarily out of the fake ID action in California. He began serving a three year sentence for mail fraud late last year.

But the fake ID problem is still so widespread that one short term absence makes little difference.

In Washington D.C., some legislators are trying to get the public . . . and the government to wake up and face the ID problem.

MOLLOHAN. About 80 percent of all the drugs sold in this country is through the gang process. And they are one of the most flagrant abusers and users of phony and false identification.

HYDE. I think if the world understood . . . or if Americans understood, the amount of losses by the major credit card companies due to this sort of credit fraud—mis-identification—and those are tax write offs, I mean those are losses to the company upon which they don't pay taxes. Then we all are paying, every one of us in increased tax burden for these credit fraud that goes on . . . and this is a serious problem—in the billions of dollars.

BROZEK. Congressman Henry Hyde of Illinois has been trying since 1977 to get a bill passed that would crack down on the fake ID problem. The bill on the House side is known as House Resolution 352. It stems from a Justice Department investigation of the ID fraud in 1976.

HYDE. It makes it a crime to use or to utter, that is to create and pass around to sell to use the mails, any fraudulent documentation—identification cards and other papers that would either deceive the Federal Government or a governmental agency, or be used as the basis to obtain, say a fraudulent social security card.

BROZEK. The maximum penalty under the law would be \$10,000 fine and/or 5 years in jail.

Federal legislation, if approved, may not be the best or only way to crackdown on the ID fraud. However, in conjunction with State legislative support, it could be a major tool in dealing with a problem affecting government . . . business . . . and ultimately . . . the taxpayer.

Susan Brozek, TV 7 News, Washington.

Mr. HUGHES. Thank you very much, Mr. Hyde, for your leadership in this most important area. I just have a few questions. First of all, how would you feel about extending jurisdiction extraterritorially where there has been use of Federal identification?

Mr. HYDE. Oh, surely. If there is a basis for it, I would urge that it be as widely ranging as possible.

We have a new issue. The ACLU and other civil liberties organizations that represent immigrants are very sensitive about a national identity card. This really does not address that problem. All it says is that whatever cards you have had better be legitimate. The other side of that is not addressed by this.

Mr. HUGHES. So you keep it separate?

Mr. HYDE. That is correct.

Mr. HUGHES. Congressman Sawyer.

Mr. SAWYER. I have no questions.

Mr. HUGHES. Thank you.

Mr. HYDE. May I leave these identification card examples here and then retrieve them at the end? I see that staff has copies of this.

Mr. HUGHES. We have a copy. Thank you very much.

Mr. HYDE. Thank you.

Mr. HUGHES. The next witness is Richard P. Kusserow, the Inspector General of the Department of Health and Human Services. Mr. Kusserow was appointed last June. Formerly he served for some 13 years as a special agent for the FBI in white-collar crime. His special function was organized crime investigation.

Welcome, Mr. Kusserow. We have your full statement. Without objection, it will be made a part of the record in full. You may proceed as you see fit. We hope that you can summarize for us.

TESTIMONY OF RICHARD P. KUSSEROW, INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Mr. KUSSEROW. Thank you, Mr. Chairman. I am Richard P. Kusserow, the Inspector General of the Department of Health and Human Services, and I would like to thank you for this opportunity to express my comments on the issue of false identification and on the ever-expanding problem relating to their use in society.

Over the last few years the Office of Inspector General has gained extensive knowledge and experience in this area. Our office, working alone and in conjunction with other Government and law enforcement agencies, has uncovered a wide variety of fraudulently made and fraudulently obtained identifications such as medicare and medicaid cards, birth certificates, et cetera.

However, we are only beginning to chip away at a problem which has been noted earlier in GAO reports, and is costing the taxpayers over \$15 billion annually. The problem with false identification is that it tends to have a pyramiding effect, that is, one piece of false identification can lead to the obtaining of other legitimate pieces of identification. For all practical purposes only three or four generic types of documents are needed to establish one's identity such as the birth certificate, passport, and driver's license. Therefore, if you can obtain a social security card number, then you can in turn use that to obtain all other types of legitimate documentation that might be necessary to forge other fraudulent activity.

The social security enumeration system was created in 1936 as a recordkeeping device of individual records of earnings of the social security system. Through the years, however, both private sector and Government agencies have increased their use and dependency upon this number. This was especially true after 1962 when the Internal Revenue adopted the number for taxpayer identification. With the enactment of the 1976 Tax Reform Act it has had its use expanded even further. Today, it is viewed as a universal identifier for purposes of driver's license information, used by military in their identification of personnel by credit card companies and check cashing agencies. However, it was originally designed to not be for documentation purposes, consequently applicants were really not asked to provide documentation supporting their requests for a number. It was not until 1971 that the Social Security Administration did act on its own task force recommendations, and began to require identification and some sort of evidence that the applicants were 55 years old. In 1972 Congress went further by requiring that the Social Security Administration obtain necessary evidence to establish the applicant's age, identify citizenship or status.

We have found that social security numbers are fraudulently obtained through really several means. One is the use of false documentation and/or false statements with either real or fictitious identity.

Second, the use of another person's number which has been borrowed or stolen.

Third, use of a counterfeit number or card with either a valid or false name or number.

Fourth, the use of a stolen blank card which either a valid or false number has been added.

Fifth, the bribery of a social security administration employee to obtain a valid number or card stock using real or fictitious identity. We have come across many different instances of fraudulent activity which go back to the basic five generic types of fraudulent activity using social security number. For example, in 1979 we had six individuals arrested for operating a business which processed thousands of social security applications for illegal aliens. Social security number application forms were printed by a private company, filled out for the aliens, falsely coded and processed by a social security administration employee outside of the official social security facilities. The application was then mailed directly to the Social Security Administration applications center in counterfeit franked Government envelopes. In return for his services the em-

ployee accepted bribes. The cards in turn were sold to illegal aliens for \$15 or \$25 each.

In some cases, we have heard that where they have had sales recorded as high as \$200 each for fraudulent cards.

There is an incident of a former Internal Revenue Service employee who obtained a social security number under an alias and used it to file four separate false income tax returns claiming about \$650,000 in refunds. The individual received and cashed three refund checks totaling \$560,000 before being caught.

We had an individual in Washington State who obtained two social security numbers using aliases. The individual who used these numbers to obtain supplemental income payments and disability insurance payments from the Government on two different identities before being caught.

These are just illustrative of the different kinds of cases—now going into the hundreds—that we have investigated. All relate back to the fraudulent use of social security account numbers.

I would like to stop here and leave for the record the balance of my formal statement and just add a couple of side notes. One of the great concerns with regard to the social security number being misused, has been with the benefits of our entitlement programs. Since our concerns are for the integrity of the system, we are trying to do every thing to reduce the number of false or fraudulent numbers in the system.

As a result, we have devised a software program that has enabled us to determine on a data base those numbers that have not been issued by the Social Security Administration. In our first program run, we went into the State of Texas and using a data base of 2 million, AFDC and food stamp recipients, we found there were 5,100 social security account numbers in the system that had never been issued by Social Security.

Subsequent investigations found that approximately a third of those were as a result of transposition of numbers or some other mistake done during the processing of the claims. The balance were instances where people were notified to bring in proper documentation and disappeared from the system and were withdrawn from the system.

Subsequently we have devised more sophisticated computer methodology by which we can surface numbers that are improper or have not been issued to the parties claimed, and we are in the process now of going around to various other Government agencies as well as State and local entities and having them introduce this program into their system to clean up their data base.

The one thing that our work does demonstrate is the fact that the social security number—fraudulent—number has been introduced into the system at all levels of government, and is having an impact on them. Therefore, the first and foremost step that we have to do is cleanse the data base and then develop a methodology by which we can have a program in place that when a person applies with a fraudulent number that has not been issued properly, that he can be tracked immediately and brought to the proper authorities.

This is why it would be particularly useful to have the bills presently under consideration or bills similar in intent enacted into leg-

isolation. We would be able to act more affirmatively and produce better with the results.

[The statement of Mr. Kusserow follows:]

PREPARED STATEMENT OF RICHARD P. KUSSEROW, INSPECTOR GENERAL, DEPARTMENT OF HEALTH AND HUMAN SERVICES

Good morning. I am Richard P. Kusserow, Inspector General, Department of Health and Human Services. I would like to thank you for this opportunity to present my comments on the issue of false identification and on the ever expanding problems related to their use in this society.

Over the last few years, The Office of Inspector General (OIG) has gained extensive knowledge and experience in this area. Our office, working alone or in conjunction with other government and law enforcement agencies, has uncovered a wide variety of fraudulently made and fraudulently obtained identifications such as Medicare and Medicaid cards, immigration documents, birth certificates, etc. However, we are only beginning to chip away at the problem which, according to an earlier GAO report, costs the taxpayers more than \$15 billion annually.

The problem with false identification is that it has a pyramiding effect; that is, one piece of false identification can lead to the obtaining of other, legitimate, pieces of identification. There are only three or four generic type documents needed to establish one's identity. For example, a birth certificate, a passport and a drivers license. But from my perspective, however, much of our problem stems from the fraud and abuse associated with social security numbers and cards. The personal and commercial use of the social security numbers (SSN's) has expanded vastly beyond its original purpose; it has now become a de facto universal identification number in this country. More importantly, the safeguards of the present social security enumeration system are inadequate and have been for a number of years. The Social Security Administration (SSA) has no direct control over the growing use of the number as an identifier. It has, in fact, often stated the position that it "should not unilaterally adopt policies that would push the number and card further toward the status of a universal identifier."

My testimony this morning reflects our activities within this area because many of the Department's problems and much of our work evolves from the social security numbering system.

BACKGROUND

The social security enumeration system was created in 1936 as a recordkeeping device to account for individual records of earnings under the social security system. Through the years, however, both the private sector and government agencies have increased their use and dependency upon this number. This was especially true after 1962 when the Internal Revenue Service (IRS) adopted the number for taxpayer identification. With the enactment of the 1976 Tax Reform Act, its use was expanded even further. States were authorized to apply this number to driver's licenses, motor vehicle registration, and welfare benefit identifications. For our purposes, the SSN can, and has been used by Federal and State Governments for inter-agency data exchange projects, such as antifraud computer matches.

The number issuance procedure was originally designed to solicit public cooperation and support for the social security program. As a result, it was kept deliberately basic. Issuance was based simply on the applicant's allegation that he was who he said he was. Not until 1971 did the Social Security Administration act on its own Task Force's recommendations, and begin to require evidence of identity from all first-time applicants, 55 or older. In 1972, Congress went further by requiring SSA to obtain necessary evidence to establish an applicant's age, identity, citizenship or alien status. But full implementation of these statutory changes was not completed by SSA until 1978. SSA's stated objectives in expanding the evidence requirements were to tighten up the number assignment process and to deter further fraud and misuse of the number. These changes, however, resulted in forcing illegal aliens and organized groups into bolder, more felonious methods of obtaining SSNs. Coincidentally, since 1978, our office began showing a corresponding increase in its SSA/fraud caseload.

SSN's are fraudulently obtained through several means:

1. Use of false documents and/or false statements with either a real or fictitious identity.
2. Use of another person's number which has been borrowed or stolen.

3. Use of a counterfeit number/card with either a valid or false name and number.

4. Use of a stolen blank card to which either a valid or false name or number has been added.

5. Bribery of an SSA employee to obtain a valid number or valid card stock, using a real or fictitious identity.

Before discussing what OIG is doing to overcome some of these problems, I would like to present a couple of examples which illustrate how persons obtain SSNs and how their misuse can impact upon our system.

In 1979, six persons were arrested for operating a business which processed thousands of social security applications for illegal aliens. The SSN application forms were printed by a private company, filled out for the aliens, falsely coded, and processed by an SSA employee outside of official SSA facilities. The applications were mailed directly to the SSA Data Operations Center in counterfeit franked government envelopes. In return for services, the SSA employee accepted bribes. The cards were sold to illegal aliens from South America and Mexico for between \$15 and \$25 each. We had heard of cases in which cards were being sold for as high as \$200 each.

A former Internal Revenue Service (IRS) employee obtained a SSN under an alias and used it to file four separate false income tax returns claiming about \$650,000 in refunds. The individual received and cashed three refund checks totaling \$560,000 before being caught.

An individual in Washington State obtained two SSNs numbers using aliases. The individual used these numbers to obtain Supplemental Security Income payments, Veteran's benefits and Disability Insurance benefits from the government on two different identities before being caught.

I cite these cases only to illustrate the wide range of problems encountered by our investigators and auditors. At present, we are actively investigating over 150 cases involving the methods or variations of the methods described above. Most of these schemes have succeeded because of weaknesses in the SSN system, such as low fraud awareness, uncontrolled access to forms, inadequate quality control and management review, insufficient document training, inadequate management information data, and uncontrolled telecommunication systems. The end result is that various usage demands have pushed the social security numbering system beyond its present capabilities. Until public policies surrounding the use of SSN's are resolved, a totally invulnerable system is not probable. Much can be done, however, to improve the current process and decrease the widespread fraud and abuse presently associated with the social security enumeration system.

OIG ACTIVITIES

Since 1977, OIG has devoted extensive time, energy and resources toward combating the problems of the social security numbering system. We have spent considerable effort toward breaking down the system into manageable and correctable areas. As a result, our audit and investigative capabilities have focused on three major and several minor initiatives. However, when you are dealing with a \$190 billion program, nothing is minor. . . . a 1 percent savings to this program saves the Government almost \$2 billion. Each of these initiatives was designed to address one or more of the problems previously mentioned.

Review of the SSN Issuance System

One major activity was a review of the SSN number issuance system. This review combined traditional audit techniques with management review and computer analysis methods. We examined the management practices and internal controls in SSA's field offices, the validity of SSN application data, the vulnerabilities and deterrent/detection capabilities of the computer system, and the trend in issuance of SSN's to aliens not authorized to work. The review was conducted between January and September 1980 using two target cities with high alien populations—New York City and Washington, D.C. As you know, SSA is authorized to issue numbers to aliens for two general purposes: (1) for work purposes by legal aliens authorized by the Immigration and Naturalization Service (INS); and (2) for tax and identification purposes, by legal aliens, not authorized to work. The major findings of the review were:

In the two cities, almost half of the all work-related SSNs issued were issued to aliens. Of those numbers issued for aliens, 20 percent were issued erroneously, either to illegal aliens or to visiting aliens not authorized to work. In addition, from

1974 through 1977, aliens used at least 24 percent of the nonwork numbers for work purposes:

SSA had no national fraud awareness or effective central office guidance on how to control fraud and misuse. Instead, local offices were setting up ad hoc procedures to deal with SSN fraud and abuse problems.

SSA's evidence certification process lacked controls, supervision, and document training, resulting in erroneous issuance of SSN's.

Because of lack of case control and effective reconciliation, field office involvement can be totally bypassed and fraudulent numbers issued with no systematic method of detection.

Although illegal aliens are known to have paid over \$100 for a blank SSN card, controls over the printing, distribution, and storage of blank social security cards were found to be totally ineffective.

SSA had not provided clear instructions for issuing SSNs to aliens who do not have work authorization, nor instituted any deterrents to the abuse of these numbers.

Our office recommended to the Secretary and SSA Administrator numerous improvements in the issuance system and advised that priority be given to internal controls, training programs in document verification, fraud control guidelines, quality assurance programs, case control and reconciliation procedures, and risk assessment of the future expanded telecommunications process.

With your permission, I would like to submit for the record, a copy of the report of our review.

Project Baltimore

The second major undertaking for OIG was what we call "Project Baltimore." This ongoing effort jointly undertaken by my office, SSA, and INS, investigates criminal conspiracies to obtain SSN's for illegal aliens. The project was conceived in 1978 after OIG and INS investigations resulted in the conviction of nine individuals. To date, more than 100 conspiracies have been identified resulting in over 100 deportations and 60 convictions, including 4 SSA employees. Sentences have ranged from probation to four years imprisonment, with fines up to \$10,000 for such crimes as bribery, mail fraud, visa fraud, submission of false INS documents, forgery of official seals and concealment, harboring or shielding illegal aliens. In addition, with the recent enactment of the minimum benefits law, we expect even higher penalties and fines.

Advanced computer screening techniques

Our third major activity in this area can be summed up under the title of advanced computer screening techniques. Under this initiative, my staff has begun a series of special computer matching projects designed to do everything from weeding out dead persons still receiving social security benefits to preventing benefit payments to deported aliens. Much of this programming work is conceived to spot persons with SSN's who are receiving benefits fraudulently. However, we are also devoting considerable staff resources toward designing computer screening programs which will identify numbers which have not been issued by the Social Security Administration.

PROPOSED INITIATIVES

In view of our significant efforts, our new initiatives will concentrate on continued investigative refinements, interagency assistance, and active monitoring of the implementation of improvements to which SSA is now committed. More specifically, we plan to:

1. Evaluate SSA's progress in implementing OIG recommendations.
2. Continue to design interdepartmental cooperative investigations such as Project Baltimore.
3. Expand such projects to include other Federal agencies as well as State and local governments.
4. Provide technical assistance to the U.S. Customs Service (Treasury) regarding profiling techniques for screening data bases associated with international money flow and large banking transactions.
5. Continue refining our detection capabilities through development of techniques in which certain profiles are extracted from SSA's computerized address tapes of new SSN issuances.

This basically concludes my testimony.

I recognize that I have not addressed some of the other issues raised in this hearing, such as the growing counterfeit card industry, nor the issue of instituting tamper-proof SSN cards, which had been a subject of debate for many years. However, I hope my comments shed some light on the problems with the social security number, and what the Office of Inspector General is doing in this area.

Thank you.

Mr. HUGHES. Thank you very much. Just on that subject, are we able to—through the use of computers and cross-index, for example—take the applications, let us say, for lump sum death benefits and check those against additional applications for identification?

Mr. KUSSEROW. The technology is all there, and we are putting a great deal of our effort into having that technology disseminated through the entire Federal community as well as the State and local levels so that we can be sure that somebody who is not entitled to the benefit, because of the fact that they have a number that is fraudulent or counterfeit, would not get that benefit. Our ultimate aim is to have this program on front line so that when a person applies for a benefit, we can track it immediately and catch it immediately. It would be somewhat like an archeologist always coming after the fact, after the damage has been done, and trying to find the wrongdoer and try to clean it up. We are working at both ends, but also we would like to have virtually all systems which rely upon the social security account number to have a method in place that would detect the fraudulent or counterfeit number.

Mr. HUGHES. Who would be the main agency in detecting frauds at that point, using false ID's?

Mr. KUSSEROW. I think it would depend on the identification that was in question. Certainly if it was a social security number itself or involves a program such as medicaid or medicare out of our department we would have a very direct interest in it. If it involved a black lung program and the black lung benefit program is in the Department of Labor, then certainly the Department of Labor would have an active interest.

Mr. HUGHES. What I am getting to, and I realize that the various departments would be concerned about their own areas, but is there any single individual or agency looking at the broader picture trying to develop strategy to determine whether we seem to have a rash of false identification in, say, Colorado or some other State? Has any agency focussed in on that and started to check with State agencies as well as with the Federal Government? Is there any individual Federal level on that?

Mr. KUSSEROW. Mr. Chairman, we have a partial positive response to your question in the fact that we have the President's Council on Integrity and Efficiency Matching Committee which I cochair along with Tom McBride, the Inspector General at Department of Labor, where we in fact are trying to bring together from all sectors of the Government, certainly not only the Federal Government, but also State and local entities, the technology that is out there: the problems that are out there. One of the major areas we are focusing on is the very area that you are referring to, namely, integrating our work into the levels of Government so that all agencies can be kept informed of new developments or changes in the data base.

We are trying to develop a methodology which will work for all levels of Government. We are also trying to devise a technology to introduce into the system to rectify the problem.

Mr. HUGHES. Do you have any way of knowing how many cases have occurred overall or on the basis of a representative sample such as social security numbers in particular being obtained by false identification?

Mr. KUSSEROW. No, Mr. Chairman. There really has not been any definitive study on the matter. Part of the reason is that the fact that nobody really understands exactly how various identifiers have been misused and for what purposes they have been placed. They cut across departmental lines so unless somebody were a victim of a fraud, wherein there had been false identification, they would not be really concerned about it.

Mr. HUGHES. I take it from that then that it follows that our estimate of over \$15 billion in costs to the Government taxpayers is just a guesstimate?

Mr. KUSSEROW. That would be my perception. For example, if we were to just make the raw assumption that 1 percent of the benefits that come out of social security was a result of fraudulent identification, social security identification, we are talking about \$2 billion right there. If we are just saying 1 percent, then I think that \$15 billion could be a very conservative figure, particularly when you look at the other ramifications as to the side effects that come about as a result of misuse of identification.

Mr. SAWYER. I have no questions.

Mr. HUGHES. Thank you very much. You have been most helpful.

Mr. KUSSEROW. Thank you, Mr. Chairman.

Mr. HUGHES. Our next witness is John C. Keeney, the Deputy Assistant Attorney General, Criminal Division, Department of Justice. Mr. Keeney has been in the Department of Justice since 1951, served in the Criminal Division since that time and has been the Deputy Assistant Attorney General since 1973.

We have your statement which, without objection, will be made a part of the record. Proceed as you see fit.

TESTIMONY OF JOHN C. KEENEY, DEPUTY ASSISTANT ATTORNEY GENERAL, CRIMINAL DIVISION, DEPARTMENT OF JUSTICE

Mr. KEENEY. Thank you. Before I begin my statement, I would like to introduce my colleague, Stephan Weglian, in our General Litigation Section, who was a member of the Federal Advisory Committee on False Identification which was covered by Congressman Hyde.

Mr. HUGHES. Welcome.

Mr. WEGLIAN. Thank you.

Mr. KEENEY. Mr. Chairman, the Department of Justice believes that the use of false identification documentation demonstrated in the 1976 reports continues. Most notably in the drug smuggling, fugitive, international terrorism, and legal alien areas. While quantification is difficult, I am assured by persons knowledgeable in those areas that the use of false identification is a standard technique as the report suggests.

For instance, the FBI advises me that of the 10 top fugitives at the moment, 4 of them are continued users of false identification documents. The Drug Administration advises me that when they made checks—when their various field offices send in names to be checked of persons that have passports—they find 5 percent of those passports are in the name of nonexistent persons.

The Immigration Service advises that the problem with respect to the use of false identity documents by aliens is a continuing and a growing problem.

More than 100 Federal statutes touch on aspects of the identification problem. H.R. 352 is important in that it would give us a single statute to deal with criminal misuses of Federal identification at the Federal level. It fills, Mr. Chairman, two gaps. First, it permits in some situations Federal prosecution of a person caught with false identification for use in a criminal scheme even though the scheme was nipped in the bud and never developed. In effect, it provides an attempt statute in the falsification area.

Second, it enables us to aid State law enforcement by moving against traffickers in false identification documents—the manufacturers and distributors—whose activities are of such a nature that they are not necessarily violating the law of the State in which they manufacture or distribute. H.R. 352 would accomplish its purposes through seven new provisions of law.

First, 1028(a) would prohibit the use or supplying of identification documents known to be false or to evidence the birth, identity, or entry into the United States of a person other than the person intended to be documented thereby for the purpose of obtaining an official identification document or paper of the United States.

Second, 1028(b) contains the same proscription with respect to obtaining an official identification document of the State and provides the Federal jurisdiction element by requiring the use of interstate facilities or mailing.

Third, 1029(a)(1) would prohibit the fabrication, forgery or counterfeiting, alteration or unlawful use for monetary or other consideration of an official identification document or paper of the United States.

Fourth, 1029(a)(2) contains the same proscription with respect to fabrication, forgery, counterfeiting, alteration, or unlawful use of an official State document with knowledge that it is intended for use in obtaining an official identification document or paper of the United States.

Fifth, 1029(a)(3) would proscribe the sale, rent, or delivery for consideration of any false identification document of the United States or of a State knowing it is intended for use in obtaining an official identification document of the United States.

Sixth, 1029(b) would prohibit the use of interstate facilities to move any false identification documents of the United States or a State involving a document of identification knowing it to be a false document or that it is being used or is intended for use in violation of Federal or State law.

The final provision, 1029(c), would prohibit the actual or attempted receipt, possession, or use with the intent to defraud, any purported United States or State identification document knowing it is to be used in obtaining an official U.S. identification document.

Mr. Chairman, my statement sets out suggested clarifying amendments to 1029(a)(3) and 1029(c) and proposes that the terms—three terms—"United States identification document," "State identification document," and "element of identification" be defined in the bill.

Further we suggest that the words "for monetary or other consideration" be deleted from section 1029(a) as unnecessarily limiting the application of the section.

Finally, we suggest that the bill or its legislative history make clear an intention to have extraterritorial application when the U.S. Government is the victim.

With these comments and suggestions, Mr. Chairman, the Department of Justice favors enactment of H.R. 352.

In conclusion I might just remark briefly on H.R. 6105, Mr. Chairman. It proscribes the making of identification documents bearing a false date. We laud the objectives of the bill and our comment is limited because the bill is still under consideration within the administration. We do note, however, that 1029(b) of H.R. 352 would bar interstate transportation of any State false State document irrespective of the aid of the whole. Thus, it covers some of the conduct proscribed by 6105 by barring interstate transportation of a State identity document. H.R. 352 does not, of course, cover nongovernmental identification documents.

Mr. Chairman, that concludes my summary on the two bills; and I would be pleased to try and answer any questions which any members might have.

[The statement of Mr. Keeney follows:]

PREPARED STATEMENT BY JOHN C. KEENEY, DEPUTY ASSISTANT ATTORNEY GENERAL,
CRIMINAL DIVISION, U.S. DEPARTMENT OF JUSTICE

My name is John C. Keeney. I am a Deputy Assistant Attorney General in the Criminal Division of the Department of Justice.

It is a pleasure for me to appear before you today to testify on behalf of the Administration in favor of H.R. 352—the "False Identification Crime Control Act of 1981." The Administration fully supports this measure and views it as an integral part of the joint effort by the federal and state governments to improve the security and protection provided identification documents issued by federal and state authorities.

This proposal encompasses one of the recommendations of the Federal Advisory Committee on False Identification (FACFI), established in November 1974 by the Department of Justice, which carefully studied the false identity problem and concluded that:

"The criminal use of false identification is a multibillion dollar national problem. A growing army of criminals and fugitives is using a screen of false credentials in welfare fraud, illegal immigration, drug trafficking, passing bad checks and phony credit cards, and in hundreds of other crimes. These crimes have one thing in common: the taxpayer picks up the tab. Every American man, woman and child pays the price in taxes, the cost of goods and in human suffering and tragedy caused by the success of false identification crimes.

"False identification is a criminal's best friend. With it, criminals can appear and disappear at will by creating fictitious 'paper people'. Often victims are not even aware they have been victimized. The exploding use of false identification must be stopped."

During the 94th, 95th and 96th Congress, a number of false identification crime bills were introduced in the Senate and House of Representatives. The Department of Justice commented on the various proposals expressing support but suggesting a number of technical drafting changes.

As noted by the Federal Advisory Committee on False Identification, fraudulent documents are essential to a broad range of criminal schemes. For examples, false identification is relied upon by many of the large drug rings importing narcotics

into the country; by perpetrators of the check, credit card and securities frauds which cause losses of billions of dollars per year; by individuals engaging in the various frauds against the government which divert billions of tax dollars; by escaped prisoners and fugitives from justice; by illegal immigrants; and by common criminals committing offenses ranging from confidence games to larceny. Moreover, false identification is often utilized by agents of foreign powers operating in the United States and particularly by members of terrorist organizations.

The new § 1029 consists of three subsections. Subsection 1029(a)(1) would prohibit the fabrication, forgery, counterfeiting, alteration or unlawful use, for monetary or other consideration, of an official identification document or paper of the United States. Subsection 1029(a)(2) would prohibit the fabrication, forgery, counterfeiting, alteration or unlawful use, for consideration, of a state identification document for the purpose of obtaining any official identification document or paper of the United States. Section 1029(a)(3) would punish the sale, transfer or other delivery, for consideration, of any false identification document of the United States or of any state knowing it to be intended for use in obtaining an official identification document of the United States.

Section 1029(b), which could be the most important feature of the bill, would reach the travel in, or use of the facilities of interstate or foreign commerce, or use of the mails to move any knowingly false identification document of the United States or of any state.¹ Section 1029(c) would prohibit the actual or attempted receipt, possession, or unlawful use, with the intent to defraud, of any false United States identification document or any false state identification document being used or intended to be used to obtain an official United States identification document. Like § 1028, a violation of any of the provisions of § 1029 would be punishable by a fine of up to \$10,000, or imprisonment of up to 5 years, or both.

Section three of the bill would exempt from the coverage of the measure any technical violations arising from (1) the protection by federal law enforcement officials of certain witnesses, and (2) investigative and intelligence activities carried out by authorized agents of federal, state and local governments. In regard to the first exemption, the federal witness protection program is authorized by law and often requires relocation and establishment of new identities for witnesses and their families to prevent reprisals by dangerous criminals. As for the investigative and intelligence functions, undercover law enforcement activities sometimes require temporary use of identification documents by government agents.

There are two provisions of the bill as currently drafted which we feel should be clarified. They are sections 1029(a)(3) and 1029(c). We suggest that the former be split into two subsections and that the latter have two clauses to accurately reflect the differences under the bill between federal and state identification documents. There would be no change in the substance of these provisions.

It is suggested that section 1029(a)(3) be rewritten as follows:

"(3) sells, transfers, or otherwise delivers any official document or paper of the United States, or any agency or department thereof, involving an element of identification, knowing such document or paper to have been falsely made, forged, counterfeited, or altered, or

"(4) sells, transfers or otherwise delivers any official document or paper of any state (including any political subdivision thereof) or any agency or department thereof, involving an element of identification, knowing such document or paper to have been falsely made, forged, counterfeited, or altered and that such document or paper is being or is intended to be used to obtain an official document or paper of the United States, or any agency or department thereof, involving an element of identification, shall be fined not more than \$10,000, or imprisoned not more than five years, or both."

It is suggested that section 1029(c) be written as follows:

"(c) Whoever, with the intent to defraud, receives, possesses, uses, furnishes or attempts to receive, possess, use or furnish to another, any falsely made, forged, counterfeited, or altered

"(1) document or paper purporting to be of the United States, or any agency or department thereof, involving an element of identification, or

¹ In *McElroy v. United States*, — US —, (No. 80-6680, decided March 23, 1982), the Supreme Court broadly construed the scope of the term "interstate commerce" as used in 18 U.S.C. 2314 to cover a forged check which had been transported from Ohio to Pennsylvania even though it was not clear in what state the check had actually been forged. The Congress may wish to indicate in the legislative history that it likewise desires for this legislation the broad interpretation of interstate commerce as permitted by *McElroy*.

"(2) document or paper purporting to be of any state (or any political subdivision thereof), or of any agency or department thereof, knowing that such document or paper is being used or is intended for use in obtaining any official document or paper of the United States, or any agency or department thereof, involving an element of identification, shall be fined not more than \$10,000, or imprisoned not more than five years, or both."

We would suggest that the bill could be further improved by using a series of definitions. We would suggest that the terms "United States identification document," "State identification document," and "element of identification" be defined. The use of these terms would shorten the bill and improve its clarity. Accordingly, we suggest that the following paragraph be added to one of the sections and that appropriate changes be made to the sections to reflect this suggestion.

"() As used in sections 1028 and 1029 the term—

"(1) 'United States identification document' means any official document or paper of the United States, or any agency or department thereof, involving an element of identification.

"(2) 'State identification document' means any official document or paper of any State (including any political subdivision thereof), or any agency or department thereof involving an element of identification.

"(3) 'element of identification' includes, but is not limited to, an individual's name, address, date or place of birth, physical characteristics, photograph, fingerprints, employer, profession, occupation, or any unique number assigned to an individual by any federal or state government entity."

These first two definitions are self-explanatory and come from the present language in H.R. 352. The last definition clearly shows that a social security card or "work identification card" would also be protected under the bill.

The words "for monetary or other consideration" in section 1029 should be deleted. As presently drafted, section 1029 would be inapplicable in the absence of money or another thing of value being exchanged. For example, section 1029 would not apply to a terroristic group counterfeiting or distributing false identification documents to its own members. We believe these words add an unnecessary element which is unsuited for the purposes of this statute.

Because H.R. 352 includes those situations where the United States government is itself the victim, the bill would probably have extraterritorial application. We urge that the Congress remove any possible doubt by expressing its intent that the bill have extraterritorial applicability. And while there will be some overlap with the 100 or so existing federal criminal statutes relating to false identification, the overlap will not create any Constitutional problem.

H.R. 352 will give federal law enforcement officials effective new weapons with which to combat false identification crimes affecting the federal government or involving interstate commerce. The passage of this measure is long overdue. We urge the Congress to give it prompt consideration.

I have also been asked to testify on H.R. 6105, a bill to amend title 18, United States Code, to provide criminal penalties for the mailing of identification documents bearing a false birth date. While the Administration still has this bill under consideration, if we do decide to support it, we would recommend that a subsection be added to ensure that its provisions would not apply to the undercover operations and witness protection functions of the nation's law enforcement and intelligence agencies.

It is suggested that this subsection be added to section 1738 as follows:

"(e) Nothing contained in this section shall apply to any authorized investigative, protective, or intelligence activity of any federal, state, or local law enforcement agency of any federal intelligence agency."

We realize that most of the identification generated for these law enforcement activities would not involve individuals under the age of 21, but some, especially in the witness protection area, could. Hence, we feel this exception is justified.

We view H.R. 6105 as a measure to deal primarily with the youthful drinking problem. While this is a laudable objective, we do note that if H.R. 352 were enacted, section 1029(b) of H.R. 352 would bar the interstate transportation of any state identification document which was falsely made, forged, counterfeited, or altered without regard to the age of the holder. The protection of H.R. 6105 would still be needed to cover the furnishing of any non-governmental identification document which would be in the true name of the individual but would not contain his true age.

This concludes my prepared remarks. I would be pleased to answer any questions you may have.

Mr. HUGHES. Thank you very much, Mr. Keeney. I gather from page 9 of your statement that Justice does support the extension of jurisdiction extraterritorially?

Mr. KEENEY. We do, sir; and we suggest—we are not at all certain that the bill doesn't cover it at the time, but in an excess of caution we suggested that it specifically cover the issue.

Mr. HUGHES. On page 4 you state, "It will permit a Federal prosecution of a subject who is caught with false identification on him even though his ultimate criminal endeavor is never completed."

Is there a serious attempt to prevent such use? Is there a general attempt statute?

Mr. KEENEY. Well, I do not believe so, Mr. Chairman. We would still have to prove that the—all of the elements of the statute were met. In other words, that there was a false identity—identification document and—or there was false information or false material supplied in order to obtain a document, either a document of the State or of a Federal agency, and that the Federal jurisdiction was met in such fashion either because it was false information given to a Government agency or it was given to a State agency and thereafter there was interstate travel. I really do not see a great potential for misuse, Mr. Chairman.

Mr. HUGHES. Suppose the individual possessing a false ID had merely acquired the false ID from an individual who was the individual who supplied the information?

Mr. KEENEY. He acquired it?

Mr. HUGHES. Without supplying it.

Mr. KEENEY. It would not be a violation if he has not supplied the information to get it. It would not be a violation.

Mr. HUGHES. The statute is not intended to reach that?

Mr. KEENEY. No, sir, the intent would be an element in all seven of the offenses covered by 352. When I say intent, I mean knowledge that there is falsity involved in the submission and intent to submit the false information. Accident, mistake would not be covered, Mr. Chairman.

Mr. HUGHES. Gentlemen?

Mr. SAWYER. Suppose you supplied correct information, but it was a bogus card.

Mr. KEENEY. Well, if it's correct information with respect to, say, Federal information and you want to get his identity that would be covered by the statute.

Mr. SAWYER. No; let's assume that I lost my driver's license for some reason and I got a false driver's license under my own name with correct information. That is what I am saying.

Mr. KEENEY. You would supply correct information for the obtaining of a—

Mr. SAWYER. Of a false driver's license.

Mr. KEENEY. In your own name?

Mr. SAWYER. Yes.

Mr. KEENEY. Why would it be a false driver's license?

Mr. SAWYER. It would be a counterfeit card. If I lose my driver's license, but I find some outfit in Los Angeles that makes a driver's license, I could give them my correct name and address and get one.

Mr. WEGLIAN. Mr. Chairman, you are talking about the situation where an individual would go to a counterfeiter and get a phony driver's license. Right?

Mr. SAWYER. Right.

Mr. WEGLIAN. That would be covered under the bill because the document is a counterfeit document. It was not issued by an official authority so it would be covered in the bill.

Mr. SAWYER. Even though the information I supplied was correct?

Mr. KEENEY. Because it is being used in violation of the State law. Your driver's license has been lifted by the State and there is a specific provision in there for use of false ID document in connection with a violation of a Federal or State law regulation or rule, and I think it might well come under that.

Mr. HUGHES. I just have a couple of followup questions. As I understand it, in your proposed definition, any document that included a person's name or address would be a document to cover by this offense?

Mr. KEENEY. Yes.

Mr. HUGHES. OK.

Mr. KEENEY. That would come within the definition of an identification document.

Mr. HUGHES. So it would be a Federal felony under that definition, for example, for a youngster to go hunting if his hunting license did not report his age correctly?

Mr. KEENEY. Well, you would have—you would have to have the Federal element. You would have to have a false submission to a Federal agency, false information supplied to a Federal agency, for the purpose of getting that documentation or false information submitted to a State agency and then Federal jurisdiction being supplied by mailing or—

Mr. HUGHES. Suppose the application was by mail or interstate commerce.

Mr. KEENEY. By mail invokes the commerce clause.

Mr. HUGHES. Well, do we want to make it a Federal offense for a youngster who lied about his age to go hunting to be a felony?

Mr. KEENEY. Congressman, I think you are right, that technically it would be covered, but I assure you—

Mr. HUGHES. I understand that is not your intent. It would also be a Federal felony for a Virginia resident to obtain a District of Columbia vehicle registration?

Mr. KEENEY. If he gives false information, yes.

Mr. HUGHES. We would not want to make that a Federal felony though?

I look forward to working with you to at least look at the problems that could be created. You all know what we want to reach, but I do not know if we want to reach youngsters who lied about their age to get a hunting license.

Mr. KEENEY. Mr. Chairman, we will be glad to work with the committee and the staff to try to ameliorate any perceived problems in the bill because we think the bill itself is a worthwhile effort.

Mr. HUGHES. Thank you. Thank you very much. We appreciate your testimony and you have been most helpful.

Our next witness is an old friend, Robert E. Powis, Deputy Assistant Secretary of the Treasury for Enforcement. Mr. Powis has 26 years of experience as a special agent of the U.S. Secret Service. He served as assistant director of investigation, special agent in charge in Los Angeles, and has had numerous obligations in the field since.

Mr. Powis, we have your statement, which without objection will be made part of the record in full. We hope that you likewise will summarize.

Welcome.

TESTIMONY OF ROBERT E. POWIS, DEPUTY ASSISTANT SECRETARY FOR ENFORCEMENT, DEPARTMENT OF THE TREASURY

Mr. Powis. Good morning, Mr. Chairman. It is my pleasure to appear before you to express the Treasury Department's views on H.R. 352, a bill to revise and improve the laws concerning false identification.

I have a summary statement which I will read into the record. I am accompanied this morning by Joseph Carlon, Deputy Assistant Director of Investigations from the Secret Service who will be in a position to assist me in the answering of questions.

Mr. HUGHES. Welcome, Mr. Carlon.

Mr. Powis. The use of false identification permeates almost every facet of criminal activity. The Treasury enforcement bureaus routinely encounter false identification in enforcing the laws over which they have jurisdiction.

The Bureau of Alcohol, Tobacco and Firearms often encounters situations in which fraudulently acquired identification cards such as drivers' licenses are used in the purchase of firearms.

My full statement has some examples of some cases.

Mr. HUGHES. Yes; we have the examples.

Mr. Powis. The U.S. Customs Services and the Internal Revenue Service, during the course of their enforcement of the Bank Secrecy Act, frequently encounter individuals who use false identification. Typically, the individuals involved are couriers working for organizations which launder money for major drug traffickers. These couriers frequently produce false identification when making large cash deposits at financial institutions in order to avoid the reporting requirements of the Bank Secrecy Act.

The Secret Service, in connection with its criminal enforcement responsibilities, has substantial direct contact with criminals who use false identification. The vast majority of the 85,000 forged Government checks and bonds received for investigation in fiscal year 1981 involved use of false identification. Individuals who are engaged in the counterfeiting of U.S. currency frequently counterfeit other Government and commercial obligations as well as false identification. Secret Service counterfeit money investigations often result in the seizure of various types of counterfeit State, local, and Federal false identification. The expertise, equipment, facilities, and supplies required to counterfeit U.S. currency are identical to those required to counterfeit false identification documents. As a consequence, the Secret Service is in a unique position to make a

significant contribution to the Federal enforcement effort in the event that a bill such as H.R. 352 is passed into law.

A major Secret Service investigative technique with respect to counterfeit currency investigations is aimed at the manufacturer. The Secret Service has traditionally maintained liaison with the printing industry in order to uncover suspicious purchases of paper, ink, photographic supplies, and printing equipment, and so forth. Counterfeit money printing plants seized by Secret Service frequently include seizure of a wide range of items of false identification. There are numerous cases of such seizures in the Secret Service files, and my full statement contains several of them. Among the items we seized involve social security cards, State drivers' licenses, alien registration cards, birth certificates, military separation papers, voter registration cards, automobile registration, passports, and numerous other documents.

We have some examples of false identification and negatives which have actually been seized. We would be happy to provide copies of those should you want them.

Mr. HUGHES. I think it would be very helpful. Thank you.

Mr. Powis. The Secret Service has a unique sophisticated counterfeit laboratory that could be utilized in the contribution to the Federal effort against false identification. This laboratory has the largest collection of commercial and private watermarks in the world today. The watermark identification system consists of a computer file with over 16,500 domestic and foreign watermarks and a microfilm for exemplars.

This system is essential in identifying partial watermarks which are oftentimes developed on counterfeit specimens.

Technological advances in the office machine copier industry in the last few years have increased the possibility that this method of production will have a significant impact on production of false identification in the future.

The Secret Service laboratory presently has an exemplar file of over 650 office machine copiers which includes specifications, date of introduction, service manuals, and other pertinent characteristics.

The problem of identification is national in scope. Criminals who need and use such identification are not impeded by State boundaries. The use and travel with false identification is widespread and involves interstate commerce. State laws tend to regulate only documents which they issue.

Although there are a large number of Federal laws dealing with false identification, hardly any of them include the possession of documents as a crime. H.R. 352 would correct this deficiency. Many of the existing Federal laws with respect to false identification are ineffective in deterring false identification crimes. The Treasury Department feels that there is a need for H.R. 352 and supports its passage as an aid to law enforcement.

Thank you, Mr. Chairman. We would be happy to attempt to answer any questions you may have.

[The statement of Mr. Powis follows:]

PREPARED STATEMENT BY ROBERT E. POWIS, DEPUTY ASSISTANT SECRETARY FOR
ENFORCEMENT, DEPARTMENT OF THE TREASURY

Mr. Chairman and members of the subcommittee, it is my pleasure to appear before you here today to express the Treasury Department's views on H.R. 352, a bill to revise and improve the laws controlling false identification crimes.

The use of false identification permeates almost every facet of criminal activity. Fugitives, terrorists, armed robbers, illegal aliens and con-men all need and use false identification. The Treasury enforcement bureaus routinely encounter false identification in enforcing the laws over which they have jurisdiction.

The Bureau of Alcohol, Tobacco and Firearms often encounters situations in which fraudulently acquired identification cards such as drivers' licenses are used in the purchase of firearms. This problem is particularly acute in states which can provide "on the spot" drivers' licenses such as Florida and Ohio. These states also happen to be primary source states for illegal trafficking in firearms. The following summaries of two cases illustrate the problem encountered by ATF.

NEW YORK

ATF agents in New York City broke up two organized firearms smuggling rings which were transporting weapons from Ohio to New York. One group was responsible for the distribution of over 800 handguns which were transported to New York City from Youngstown, Ohio. The second group distributed approximately 200 handguns which had been purchased in Akron, Ohio. Seven defendants have been convicted in these cases and two are awaiting prosecution. The defendants in both of these cases were routinely using fraudulent Ohio driver's licenses to acquire firearms.

FORT LAUDERDALE

ATF agents in Fort Lauderdale arrested a subject when it was determined that he had used a fraudulent Florida driver's license in the purchase of 67 handguns. This subject was a Nigerian citizen and he intended to illegally export these firearms to Nigeria. The subject was convicted and sentenced. It was learned that he had used 19 aliases and had various types of false identification made up for each. This individual is facing additional Federal charges in Maryland and Virginia each under different assumed names.

The U.S. Customs Service and the Internal Revenue Service, during the course of their enforcement of the Bank Secrecy Act, frequently encounter individuals who use false identification. Typically the individuals involved are couriers working for organizations which launder money for major drug traffickers. These couriers frequently produce false identification when making large cash deposits at financial institutions in order to avoid the reporting requirements of the Bank Secrecy Act.

The Secret Service, in connection with its criminal enforcement responsibilities, has substantial direct contact with criminals who use false identification. In fiscal year 1981, the Secret Service investigated 74,000 forged U.S. Government check cases and 9,800 forged U.S. savings bond cases. In the vast majority of these cases the fraudulent negotiations of checks or bonds were accomplished through the use of false identification. The typical forger can depend on false identification to conceal his identity and avoid detection. It is a part of his *modus operandi*. Forgers have little trouble in acquiring fictitious identification. They are readily available from a variety of sources including passport studios, department stores and other criminal identification bureaus. The yellow pages of most telephone books contain listings of such criminal enterprises under "identification bureaus." The most common false identification used by forgers include, but are not limited to, drivers' licenses, commercially obtained photo ID's, Social Security cards, alien registration cards, birth certificates, automobile registrations, and certificates of origin documents.

The Secret Service has also found that individuals who engage in the counterfeiting of U.S. currency often involve themselves in the counterfeiting of other government and commercial obligations as well as items of false identification. Secret Service counterfeit money investigations often result in the seizure of various types of counterfeits of local, state and Federal documents. The expertise, equipment, facilities and supplies required to counterfeit U.S. currency are identical to those required to counterfeit false identification documents. As a result of this fact, the Secret Service is in a unique position to make a significant contribution to the Federal enforcement effort in the event that a bill such as H.R. 352 is passed into law. Investigation techniques which have been successfully applied to safeguarding our

nation's currency could also be utilized to protect the integrity of items of identification.

Secret Service special agents receive extensive training in the field of counterfeiting throughout their careers. Agents are not only exposed to the production of genuine obligations of the U.S. but also to the problems encountered by the typical counterfeiter. Through training and experience they become experts in the detection of counterfeit U.S. currency and other documents.

The Secret Service uses two basic approaches to counterfeiting investigations. First, at the distribution level, the Secret Service develops information through the use of confidential informants and trained undercover agents who routinely infiltrate groups involved in the manufacture of counterfeit currency. It has been said that an investigative agency is only as effective as its sources of information. This adage certainly applies in the field of counterfeiting investigations whether that investigation be directed toward counterfeit money or to counterfeit identification. The second investigative approach is directed at the manufacturer referred to as the "plant." The Secret Service has traditionally maintained liaison with the printing industry in order to uncover suspicious purchases of paper, ink, photographic supplies, printing equipment, etc. These efforts often result in the early detection and suppression of the counterfeiting manufacturing plant. The Secret Service realizes that counterfeiters do not restrict themselves solely to the manufacture of counterfeit currency. Oftentimes they expand their operations to include a wide range of other items including false identification. Several typical case histories are hereby set forth.

In July 1981, a Secret Service investigation commenced in Las Vegas involving four individuals who were believed to be manufacturing counterfeit \$20 and \$100 Federal Reserve Notes. A Secret Service agent was able to infiltrate the group. He purchased \$60,000 worth of counterfeit money and the perpetrators were arrested when they made the delivery. An additional \$120,000 in counterfeit money was subsequently recovered at the printing plant responsible for the manufacture of the currency. Also recovered were large quantities of counterfeit identification including Social Security cards and driver's licenses from a number of states.

In March 1981, an individual was arrested by the Secret Service in possession of \$50,000 in counterfeit \$10 Federal Reserve Notes. The subject was a twice convicted counterfeiter who was scheduled to stand trial on the very next day on still another counterfeiting charge. Following his arrest Secret Service agents searched a residence in Mount Dora, Florida, and seized a printing press and numerous printing plates and negatives used to manufacture counterfeit U.S. currency. In addition, the agents seized large quantities of counterfeit blank Social Security cards, negatives for an international drivers' license, blank counterfeit State of Florida food stamp identification cards, counterfeit health insurance cards and counterfeit voter registration cards for the City of Baltimore.

An investigation was initiated by Secret Service agents in Tennessee in 1981 after three individuals had made suspicious purchases at several printing supply houses. Surveillance led to a residence which seemed to be their center of operation. Additional investigation led to the execution of the search warrant on the premises. The search resulted in the seizure of counterfeit State of Tennessee driver licenses, counterfeit \$100 American Express Travelers Checks, counterfeit \$1 Federal Reserve Notes, counterfeit State of Tennessee welfare checks and counterfeit social security cards.

The above cases are but a few of the large number of Secret Service counterfeit money investigations which also involve counterfeit identification. Large seizures of counterfeit alien registration cards have been made by the Secret Service in recent years in the Southwest in conjunction with counterfeit money investigations. It should also be kept in mind that advanced technology in the reprographic field, particularly with color copiers, pose a definite threat to the future security of legitimate pieces of identification. The Secret Service is on the cutting edge of these technological advances.

In considering the Secret Service's ability to make a contribution to the Federal effort against false identification, it must be realized that the Secret Service has a unique and sophisticated counterfeiting laboratory. Technicians in this laboratory spend a considerable amount of time examining new counterfeiting issues in an effort to determine whether or not these counterfeit obligations stem from a common manufacturer. During the counterfeiting process, certain defects are developed on printing plates which are subsequently transferred to all images produced by that plate. The counterfeit laboratory makes associations with new counterfeit issues and provides valuable investigative leads in a number of cases.

The Secret Service counterfeit laboratory has unique capabilities with regard to paper and has capabilities to perform preliminary tests for starch, protein, lignin, rosin size and more sophisticated tests which determine the pulping process and species identification. In addition, the laboratory has the largest collection of commercial and private watermarks in the world today. The watermark identification system consists of a computer file with over 16,500 domestic and foreign watermarks and a microfilm file with exemplars. This system is essential in identifying partial watermarks which are oftentimes developed on counterfeit specimens.

Technological advances in the office machine copier industry in the last few years have resulted in an increased number of counterfeits produced either partially or entirely by this type of equipment. The Secret Service laboratory presently has an exemplar file of over 650 office machine copiers which includes specifications, date of introduction, service manuals, and other pertinent characteristics. With the aid of a computer, characteristics for a questioned copy can be searched against the exemplar file resulting in the make and model of possible suspect copiers. Once suspect copiers have been identified, individualization can be accomplished by comparing defects on the pattern and photoconductor drum to those found on the counterfeit specimen. This could be very significant in the association of false items of identification of common origin. The laboratory is also equipped with a fully operational print shop. This equipment is used for testing plates and negatives seized in counterfeit cases, evaluating proposed security features for U.S. obligations, experimentation with regard to advances being made in the printing industry and producing plates and negatives which may be used in counterfeiting investigations.

The problem of identification is national in scope. Criminals who need and use such identification are not impeded by state boundaries. The use and travel with false identification is widespread and involves interstate commerce. State laws tend to regulate only documents which they issue.

Although there are a large number of Federal laws dealing with false identification, hardly any of them include the possession of documents as a crime. H.R. 352 would correct this deficiency. Many of the existing Federal laws with respect to false identification are ineffective in deterring false identification crimes. The Treasury Department feels that there is a need for H.R. 352 and supports its passage as an aid to law enforcement.

Mr. HUGHES. Thank you, Mr. Powis. Mr. Powis, are there current statutes concerning reporting of counterfeits insufficient for Secret Service investigative—

Mr. POWIS. There is some deficiency. There is a proposal which the Secret Service and the Treasury Department have made on several occasions in the past. It is embodied in section 510 which would, we think, improve the general prosecution and situation involving forgery and counterfeiting. In particular, the bill which was proposed would really get specific with respect to the crime of forging endorsement on U.S. Government checks and bonds. Presently, we are dealing with section 495 which is not really specific for that offense.

Mr. HUGHES. What is the blind spot?

Mr. POWIS. Well, we are trying to address specificity. We are also trying to address the fact that there was no misdemeanor provision with respect to the forgery and negotiation of Government checks and bonds; and we think it is important that there be one.

There is another blind spot, and that is the fact that possession of stolen checks and bonds and Government securities with guilty knowledge, is not a Federal offense unless the items are taken interstate.

Mr. HUGHES. Would you share those specific recommendations with us subsequently?

Mr. POWIS. Yes, sir, I will.

[The information requested follows:]

RECOMMENDATIONS SUBMITTED BY MR. ROBERT POWIS

Presently, violations for forgery of endorsement or fraudulent negotiations of a Treasury check or bond or other security of the United States are being prosecuted under title 18, section 495 of the United States Code, which specifically covers contracts, deeds, powers of attorneys, and the forgery or altering of "other writings". However, that section was not specifically drafted to deal with Treasury checks or bonds or other obligations. As a result, many of the variations of offenses involved with forgery of Government obligations are not covered by section 495. Case in point: Presently it is possible for a thief to steal a Treasury check endorsed by a payee, endorse his own name and obtain the proceeds without violating section 495. It is also possible for a thief to steal one or more government checks or bonds and sell or exchange them to a middle man and not violate section 495.

The proposed creation of section 510 to title 18, U.S.C. would make it a felony: (1) to forge an endorsement or signature on a U.S. Treasury check or bond or security of the United States; or (2) to pass or attempt to pass such an obligation with the knowledge that it has been forged.

Section 510 would also make it a felony to knowingly exchange or possess such an obligation of the United States which has been stolen or bears a forged endorsement. In addition, the 510 proposal will make it possible to prosecute both forgeries of endorsements and related crimes involving obligations of the United States under one section and allow for its enforcement by one agency, the U.S. Secret Service, which already has primary jurisdiction to investigate crimes involving obligations and securities of the United States.

The penalty for such violations would be a fine of not more than \$10,000 or imprisonment not to exceed 10 years or both. While section 495 is strictly a felony statute, the proposed section 510 also allows for prosecution as a misdemeanor for those obligations which do not exceed \$500. This proposal should greatly enhance the judicial process as the great majority of such cases are under \$500 amount.

Mr. HUGHES. What about forged or counterfeit documents of the United States of various types? Forged passports, visa, and other government documents?

Mr. POWIS. We think that this bill would correct the deficiencies that exist in some of the individual statutes and particularly in the area of possession of these documents.

Mr. HUGHES. Do you agree with the Justice Department that any legislation should address the extraterritorial problems?

Mr. POWIS. Yes, sir; we do.

Mr. HUGHES. Has the Department found that many cases are declined for prosecution by the U.S. attorney?

Mr. POWIS. In what areas?

Mr. HUGHES. Various jurisdictions.

Mr. POWIS. I am not sure I understand where you are coming from.

Mr. HUGHES. Let's say in the area of check forgery.

Mr. POWIS. Yes; over a period of years there has been a different attitude with respect to check forgery, and it gets to the fact that the U.S. attorney's offices and the Justice Department have realized that they have limited facilities and limited resources and they have to concentrate on more serious crimes.

Mr. HUGHES. How about false green cards? Do you have the same problem?

Mr. POWIS. Yes, sir, as far as I understand. The Secret Service frequently comes upon counterfeit green cards in connection with counterfeit money cases; plus if the case is substantial enough, the U.S. attorney's office will usually include a count in the indictment for the counterfeiting of the green card.

Mr. HUGHES. Thank you.

Mr. Sawyer.

Mr. SAWYER. I have no questions.

Mr. HUGHES. Thank you very much, Mr. Powis.

Mr. POWIS. Thank you.

Mr. HUGHES. We are indebted to you for your testimony.

Our next witnesses are appearing as a panel. John C. Skelton, administrator for investigative services, Virginia Division of Motor Vehicles. He has been with the division of motor vehicles in an executive position for nearly 17 years and has served as administrator of field services. Mr. Skelton previously was a trooper and investigator for the Virginia State Police for some 12 years.

Also serving on the panel is Mr. Russell E. Booker, Jr., director of the Virginia Bureau of Vital Records. He served as director of this division for some 22 years and is also a deputy registrar of the Commonwealth of Virginia.

We welcome you both this morning. We have your statements which, without objection, will be made part of the record.

TESTIMONY OF JOHN C. SKELTON, ADMINISTRATOR FOR INVESTIGATIVE SERVICES, DIVISION OF MOTOR VEHICLES, COMMONWEALTH OF VIRGINIA

Mr. SKELTON. Thank you, Mr. Chairman. I truly appreciate the opportunity to appear before you. Of course, at a State level, we are concerned about the integrity of the driver's license program and the ID cards issued. The main problem we have are the documents that we—

Mr. HUGHES. Should you pull the microphone closer to you.

Mr. SKELTON. Our main problem is the documents that people present to us in order to get the driver's license. Primarily, it is the birth certificate; and what we are confronted with there is that there are hundreds and hundreds of birth certificates issued in this country. Perhaps over 7,000 places that issue valid birth certificates to my understanding. So, truly, we do not know what we are looking at. We have nothing to compare to what we are looking at, and then you take the publications that issue all of the blank forms, the blank certificates, and the military birth certificates and what have you, it gets into the hundreds and hundreds of so-called birth certificates or birth certifications.

Now, compare it to the motor vehicle titles or bill of sales. We have been able to obtain samples of all bill of sales, all titles issued in this country; and we have cataloged them and issued those to all of our employees who issue titles, and each title contains a writeup as to what should be on the title, the identifier, and identifying marks and so forth; and we are able to compare titles that were received to the catalog if we have any question about them; and, of course, we are—and right at this time I know of over 10 States that have a major problem with counterfeit titles; and we are uncovering counterfeit titles every week by this method.

As compared to birth certificate and the driver's license side, we have no guidelines or nothing else to compare it to, and it is a matter of commonsense on the part of our employees, and we thank you for any efforts to stop the fraudulent use of identification cards because Virginia or no other State will ever be able to

maintain any integrity in the driver's license program until we stop that.

[The statement of Mr. Skelton follows:]

PREPARED STATEMENT OF JOHN C. SKELTON, ADMINISTRATOR OF INVESTIGATIVE SERVICE, VIRGINIA DIVISION OF MOTOR VEHICLES

This statement answers the following four questions.

- (1) Does the Virginia Division of Motor Vehicles believe that false identification is a problem?
- (2) To what extent are your agency clerks trained and able to detect false identification documents?
- (3) What documents are required to provide adequate identification [to obtain a driver's license] in Virginia?
- (4) Is there any evidence that false identification is manufactured outside of Virginia and shipped in the mail or interstate commerce?

PREPARED RESPONSE OF JOHN C. SKELTON

Question. Does the Virginia Division of Motor Vehicles believe that false identification is a problem?

Answer. Definitely. The Virginia Division of Motor Vehicles and Department of State Police recently made a study on the feasibility of requiring a thumbprint on drivers' licenses and identification cards. This study discloses the following observations:

"Since almost every adult citizen of the Commonwealth of Virginia uses a driver's license or identification card as an identity verification credential, such documents have become increasingly necessary as our society becomes more reliant on cashless transactions. This reliance on these credentials has resulted in an increase in the use of drivers' licenses and identification cards for fraudulent purposes.

Of all types of personal identity documentation, driver's licenses are used more often than any other type as an accepted means of positively identifying individuals in commercial and legal applications. The second most commonly used identity document is the credit card, followed by social security and military identification cards.

Common usage of the driver's license as the primary identification document has led to the twin assumptions that these credentials are secure (that is, that the information contained on them is correct) and that they are being used by the same person whose identity they describe. Neither assumption is inherently correct. Abuses can and do occur in the application process, and drivers' licenses are frequently obtained and used to fraudulently obtain cash or merchandise.

ILLEGALLY OBTAINED DRIVER'S LICENSES

Current procedures for driver's license issuance in Virginia depend to a large extent on the veracity of the individual applying for these credentials. No practical or reasonable means exists to independently verify alleged identities of applicants.

UNAUTHORIZED USE OF DRIVERS' LICENSES

Once issued, verification of personal identity through the use of information printed on the driver's license depends on the skills and ability of the individual making the verification attempt. If this person is careless, or if the person using the license resembles the true licensee, attempted fraudulent use of the license will not be detected.

Because a positive identification on the basis of a subjective examination and comparison of personal description or photographic likeness information is normally difficult for most persons, the potential for fraud is not substantially reduced by including such information on identity documents.

COMMERCIAL PROBLEMS

Nearly 80 percent of all commercial losses in the United States are due to non-violent actions, including paper transactions. Accordingly to the American Management Association, "paper crimes" accounted for approximately \$40 billion in losses during 1980. Of this amount, between \$10 and \$15 billion were lost in transactions where false identification documents played a primary role. These losses are passed on indirectly to consumers, raising the cost of living for everyone. For instance, the

annual share of consumer fraud costs for every Virginia citizen was \$165, or approximately \$281,700,000 Statewide. Of this overall Statewide fraud loss, more than \$200 million was due to fraud involving false identification. A solution to many forms of "paper crime" problems lies in the ability to safeguard the integrity and reliability of personal identity verification documents, especially the driver's license." Although I can furnish no figures on the number of fraudulent drivers' licenses or ID cards issued in Virginia, I suspect it would be shocking if the truth were known. No reliable figures can be established because most people who use a fraudulent license or ID card to commit a crime are never charged with the "ID crime", because it is secondary to the many felonies they have been subsequently charged with.

Question. To what extent are your Agency clerks trained and able to detect false identification documents?

Answer. DMV employees received no formal training in this area as we have no idea where to start because there is no uniformity in the many documents we must accept as proof of name and date of birth. As a comparison on uniformity or verifiable information on documents, I would like to use Virginia's system of detecting false information on counterfeit motor vehicle titles.

We simply obtain a sample title from every state and a detailed description of the various ways to identify each title. All of this data is catalogued and given to our employees who issue motor vehicle titles. With this tool, they are constantly discovering fraudulent titles.

If you use a birth certificate as a comparison, there are over 7,000 local vital records offices in this country, and this fact makes it impossible for us to know when we have a valid birth certificate, a forged, or completely counterfeit certificate, as we have no established guidelines.

I guess the bottom line is, you must know what to look for in order to detect a fraudulent document.

Question. What documents are required to provide adequate identification in Virginia?

Answer. One or more of the following: birth certificate; valid photo driver's license (not applicable when applying for a photo ID card); valid passport; military discharge papers; home mortgage or lease papers; transcript of school records; non-resident alien registration document; military ID; State-issued photo ID; and police pistol permit (photograph and fingerprint).

Question. Is there any evidence that false identification is manufactured outside of Virginia and shipped in the mail or interstate commerce?

Answer. We have no evidence that "false identification" is manufactured outside of Virginia in its entirety; however, from certain publications we have received, it appears that many forms are sold and shipped through the mail or interstate commerce. Since these forms are readily available, any individual could conceivably submit fraudulent documentation to obtain their driver's license or ID card.

Regarding H.R. 352 I would like to offer the following view:

I do not believe this Bill provides criminal sanctions for the manufacture, sale, advertisement for sale, possession, distribution, transfer, transportation, mailing or shipping of blank forms or documents that can be used for the purpose of fabricating false identification.

TESTIMONY OF E. BOOKER, JR., DIRECTOR, BUREAU OF VITAL RECORDS, COMMONWEALTH OF VIRGINIA

Mr. BOOKER. I am the culprit here today because I am the one who issues the breeder documents that everyone uses to perpetuate all the fraud. The types of things that we deal with on a daily basis, and that Mr. Skelton deals with, are things that have never been addressed at the Federal level and very poorly addressed at the State level. We, as States, come to you asking for help. We need Federal help, and yet we come to you with dirty skirts. I speak generically rather than of the Virginia vital statistics systems only because we are a little different in Virginia from other States. Maryland is also a little different from most of the States because of centralized issuances of certifications.

Please note at the bottom of the second page of my statement, the last sentence of the next to the last paragraph. There has been

a lot said about counterfeiting here this morning. I will read that sentence: "Under the systems for birth certification in use throughout the Nation, there is little need for forgery or counterfeiting by the criminal;" and I don't make that statement lightly. It is absolutely true. It is so easy to obtain a genuine document because 40,000 genuine documents of birth are issued every day across this country. There are 10 million of these issued every year.

This is a problem in many areas where there are so many localities which can issue certifications of birth. In most of the States you have local registers. In the State you come from Mr. Hughes, you can go to the local registrar and obtain a copy of your birth record if you do not want to go to the State registrar. We have an advantage in Virginia and Maryland that many of the other States do not have because our local registrars may not issue certifications. It is awfully hard to centralize issuance of certifications in most States, because so many of the local registrars are political appointees or of patronage positions which have become quite substantial.

There are many of us in this business who feel centralized issuance is not a problem which the States can solve. The United States of America is the only so-called civilized Nation in the world which has 57 different registration areas and requirements for the registration and issuance of birth, death, marriage, and divorce records. All the rest of the major nations have a nationalized system. To see to what extreme that extends in America, what may be a valid marriage in one State may be statutory rape in another. We States define what is a live birth different from each other. We define what is a fetal death different from each other. What is the effect of that? Well, at the Federal level it makes a difference whether you can take a \$1,000 tax deduction for that year for that dependent. If a child lives 2 seconds, that is a live birth in some States, and you get a deduction. If, in another State, you do not report that sort of birth, the family will not get the advantage of the tax deduction.

Practically everything we do in vital statistics is keyed to Federal activities. Yet, the Federal Government has absolutely no legal input into vital statistics programs.

The Federal Government through HHS has recommended standardization. It recommends; it cannot require. There are no Federal statutes concerning our particular work in vital statistics.

The greatest problem that we do not find addressed in the proposed bill, and one which we feel really needs to be covered, is that of the fraudulent application for a certified copy of a record. We constantly receive applications for a copy of "Joe Blow's" birth record. We check the requested record and find the person is dead. He only lived 13 weeks; therefore, the application is fraudulent, because whoever applied said, "Send me a copy of my birth certificate."

If a State should issue the certificate and then report to Federal authorities, U.S. attorneys are going to have trouble prosecuting under the proposed bill. Our State statutes allow prosecution for making a false application to obtain a certification before any major crime is committed, and our prosecutions have been successful.

However, I would have problems getting into another State to arrest someone who applied fraudulently through the mail so, this is where we need help. We feel that this House bill, H.R. 352, will certainly be a good beginning; but, only a beginning. It does not cover all the bases. We would welcome the opportunity to work with the people interested in this and the other legislation we have seen concerning fraudulent identification.

Virginia had a representative on that Justice Department committee to which you referred to earlier this morning.

I will be glad to answer any questions I can.

[The statement of Mr. Booker follows:]

SUMMARY OF PREPARED STATEMENT OF RUSSELL E. BOOKER, JR., VIRGINIA BUREAU OF VITAL RECORDS, STATE HEALTH DEPARTMENT

Thousands of local and state registrars offices throughout the Nation issue approximately 40,000 genuine certified copies of birth records each working day.

Ten states and two territories made no statutory provision to limit access to birth and/or death data.

Registrars' offices cannot prevent the procurement of birth information for fraudulent purposes at the time of application.

With adequate funding, death data could be matched to birth records from this time forward; however, it would probably not be practical to go back any length of time to match post death information to birth records.

States can prosecute unauthorized procurement and fraudulent use of documents if the criminal is in that state and available to law enforcement and prosecuting officers. One state, however, cannot reach into another to arrest and prosecute a criminal who uses mail or other means to unlawfully procure data.

Federal help is needed to arrest and prosecute across state line.

PREPARED STATEMENT OF RUSSELL E. BOOKER, JR., VIRGINIA BUREAU OF VITAL RECORDS, STATE HEALTH DEPARTMENT

1. EASE OF OBTAINING COPIES OF BIRTH RECORDS

Roughly 10 million genuine certified copies of birth records are issued throughout the United States of America each year. That is almost three times the number of births which occur in the United States each year. Around ten million certified copies of death records are also issued annually throughout the Nation.

Eight states and two territories allow unrestricted access of birth and death data to any who apply. An additional two states allow unrestricted access of death certifications.

More than eighty-five percent of all birth certification issuance in Virginia is through mail and slightly less in those states which allow local issuance of birth data. While a few states such as Maryland and Virginia only release birth data from the respective offices of their state registrars, most states allow local registrars, as well as the state registrar's office, to issue certifications of birth. (The State of New York has some 1,500 local registrars authorized to issue legal certifications of birth. This does not include New York City.)

Birth certifications are usually required for: Social program of varying sorts such as aid to families with dependent children; school entrance; participation in athletics such as Little League or varsity sports; drivers' licenses; entry into the labor force or other employment requirements; marriage licenses; passports; proof of relationship in order to inherit property; and retirement/medicare.

Many other considerations concerning birth data could be listed; however, the above are sufficient to demonstrate the magnitude of the problems involving birth certifications. If as little as one percent of the ten million birth copies issued each year were for a fraudulent purpose, one hundred thousand cases of fraud would ensue annually. With numbers like these, it is virtually impossible to adequately screen requests for validity. Under the system for birth certification in use throughout the Nation, there is little need for forgery or counterfeiting by the criminal.

The Virginia Bureau of Vital Records receives between one and two thousand requests for birth data each working day. This represents some two percent of such activity nationwide. Because of the legitimate reasons for these requests at all stages of an individual's life, society would be reluctant to accept more impediments

to those now existing to obtain birth certifications. If an applicant should list sufficient information to enable a registrar's office to locate a birth record and include an appropriate fee, the certification will be issued as quickly as possible with little effort given to determining the validity of the request. The traditionally cavalier attitude toward records and the staffing of registrars' offices hardly allows otherwise.

The fact that 10 States and territories make no statutory attempt to restrict issuance of birth certifications eases the obtaining of a "breeder document" (e.g. birth certification). For those states and territories which try to restrict issuance by statute, the issuing office cannot prevent unauthorized or unlawful procurement. The solution must be found elsewhere.

II. DIFFICULTY OF MATCHING DEATH RECORDS TO BIRTH RECORDS

Over 2 million deaths occur throughout the Nation each year. These deaths do not necessarily occur within the same state or territory of birth.

A program exists whereby a state registrar's office will forward death data to the state of the decedent's usual residence if death occurred in another state. This program, however, does not extend to the decedent's state of birth (except for infants who die at less than one year of age). If a resident of Indiana were to die in Missouri, Indiana would be notified of the death. The state of birth, Pennsylvania, would not be so informed.

Although the numbers of deaths are large, it would not be an impossible task to relate the fact of death to a birth certificate. To varying degrees, such programs are now quietly taking place in a few states. Staffing sufficient to carry out such a program is the greatest hindrance to implementation. In Virginia, approximately one hundred sixty-five death records would have to be matched to a birth record or sent to the state of birth each working day. The additional numbers of employees required to accomplish such a task would vary from state to state because of differences in the quality of birth indexes or the extent of automation of birth and death data. Funding for several hundred employees across the Nation would be needed for death/birth record from this time forward.

The task of matching death/birth data for deaths which have occurred during the past seventy-five years would not be feasible or even desirable. A limited period of thirty-five years back would be desirable, but probably not feasible. The greatest problem of fraudulent use of vital records appears to be by individuals between sixteen and thirty-five years of age.

III. COMMENT

There is an active market for "clean" birth certifications. The word "clean" in this context means a genuine certification for the birth of someone who is not likely to have a criminal record and who is not likely to request his own record (e.g. someone who dies at a relatively young age). There are degrees of "clean" and the price rises to meet the highest level of similarity to the "profile" the criminal wishes to establish.

The criminal who establishes a false identification for himself and then defrauds can usually be prosecuted under a number of federal and state statutes. The "middle man" who supplied the documents to this criminal, however, is rarely arrested. The "middle man" may discover a death in California of a person born in Minnesota (both states allow unrestricted application for birth/death data). He may then apply to Minnesota for a certified copy of the decedent's birth record. The certification of birth is then sold as a "clean" document. So far, the "middle man" has committed no crime! There are those who regularly perform such "services" for a living.

In a number of states, the "middle man" could be prosecuted for a felony under a state law which has a nationally standard statute worded as follows:

"Any person who willfully and knowingly obtains, possesses, uses, sells, furnishes, or attempts to obtain, possess, use, sell, or furnish to another, for any purpose of deception, any certificate, record, or report required by this (Act, chapter, title, etc.) or certified copy thereof so made, counterfeited, altered, amended, or mutilated, or which is false in whole or in part which relates to the birth of another person, whether living or deceased . . ." or, "It shall be unlawful for any person to obtain or possess the birth certificate of another for the purpose of establishing a false identity for himself or for another person."

The above and similar state statutes have aided in the successful prosecution of criminals, including the "middle man" in state courts.

Because so much fraudulent procurement of birth data is through mail, and much of it through interstate mail, a strong Federal statute is needed to reach those who

violate a state's law from without that state. Diligent prosecution and meaningful sentences upon conviction would discourage the amateur and professional criminal alike as the "word got around".

The Bill under consideration, HR 352, appears to be a beginning toward the reduction of a nationwide problem. If this Bill were to be enacted into law and then enforced, the Commonwealth of Virginia would be encouraged to aid the prosecution of those from without the State as never before. It is known that this encouragement would also extend to a number of those states having unrestricted access to birth/death data. The Bill as introduced may be overly broad or ambiguous because of the lack of definitions and yet not broad enough in some respects. Alternate wording of proven effectiveness from successful prosecutions in state courts is certainly available.

Mr. HUGHES. Mr. Booker and Mr. Skelton, you have been very helpful and I appreciate the insight into the absolute lacking of law. It is a case in point. I am familiar with the practices in the mail. It seems to me to have every basis for use. We do not have any uniformity in the State—central administration I should say.

Of course, you understand this committee does not have jurisdiction over that. We are addressing it in piecemeal fashion.

Mr. BOOKER. One other thing I might mention, if I may. One of the previous witnesses this morning said that the cost of matching death records against birth records would be astronomical. I do not think so from this point forward. We need to match roughly 175 a day in Virginia. Well, since we have 2,000 transactions every working day, what's another 175?

Mr. HUGHES. Well, we are going with computer technology.

Mr. BOOKER. There again, some of the States are very much advanced in that area, and some of the States are "horse and buggy" in their operations. If you have a State with a small population where the entire State registrar's office has a staff of 13, that State does not have the ability to justify installing a system that the programming alone will cost \$250,000. There are a very few, and I emphasize very few, States which have gone into computer technology in vital statistics certification.

Mr. SAWYER. I have no questions.

Mr. HUGHES. Thank you.

Mr. BOOKER. Thank you.

Mr. HUGHES. Our last witness I understand has not arrived. Arthur J. Bilek. So without objection, his statement on behalf of the American Bankers Association will be made part of the record in full.

[The statement of Mr. Bilek follows:]

PREPARED STATEMENT OF ARTHUR J. BILEK, ON BEHALF OF THE AMERICAN BANKERS ASSOCIATION

Mr. Chairman and members of the Subcommittee, I am Arthur J. Bilek, Vice President and Director of Security for the First National Bank of Chicago. I also serve on the Executive Committee of the American Bankers Association's Insurance and Protection Division. Our Association, which includes over 13,100 full service banks, appreciates this opportunity to convey bankers' concerns regarding the impact and implications of criminal use of false identification. The forum provided by this hearing represents a much-needed Congressional review of Federal and state efforts to thwart criminal activity within the banking industry.

Law enforcement efforts to deter criminal activity involving false identification is a cooperative undertaking—a shared responsibility. Bankers are eager to work with Federal and state organizations in order to identify those efficient and effective measures which serve to reduce the usage of false documents in connection with financial transactions.

Resource constraints have limited the ability of law enforcement offices to maintain, let alone enhance, preventive procedures necessary to stem the ever-growing problem of false identification crimes. For example, last year the FBI suspended processing fingerprint cards submitted for employment and licensing purposes. The elimination of this service for an intended one-year period has imposed an onerous burden upon banks' attempts to assess the qualifications of prospective employees and comply with existing statutory requirements.

The banking industry supports legislation intended to curtail the increase of false identification crimes. With respect to H.R. 352, we are generally supportive of this effort to enact stringent penalties for the interstate trafficking of fraudulent documents. However, bankers understand that legislation, by itself, fails to provide the type of preventive safeguards necessary to maintain the security of our nation's financial institutions.

Swift and aggressive prosecution of individuals using false identification in connection with financial transactions would deter such criminal activity. More immediate response by law enforcement officials together with greater investigatory involvement would also serve to promote a more effective system to deal with this problem. We understand the budgetary restraints imposed upon all levels of government. At the same time, difficult economic conditions also impact upon industry and its efforts to confront security problems.

While actual statistics are unavailable, the FBI has reported that approximately 30 million fraudulent checks are written each year resulting in losses of \$4 billion to financial institutions and merchants. A 1976 study found that financial institutions incur greater losses through check fraud than from robberies and burglaries.

The problem of false identification adds greatly to the accessibility of fraudulent checks and other negotiable instruments. With the profusion of false documents, many check fraud investigations by law enforcement officials are stymied because of the lack of positive proof of the perpetrator's identification. Let me explain some problems bankers have encountered in dealing with false identification crimes.

Check fraud takes place in various forms. The most common false identification schemes are initiated with the loss or theft of an individual's checkbook. Checks usually contain a person's name and address. With this information, the perpetrator is able to secure some type of false identification. Possession of these documents offers the opportunity for a wide range of fraudulent activity. He or she may simply use the single account of the misplaced or stolen checkbook and misappropriate funds. The criminal may expand the complexity of the scheme with the establishment of a separate checking account at a different institution by relying upon the false I.D. With separate accounts at different institutions, the perpetrator manipulates deposit entries and withdrawals and engages in so-called "check kiting" between accounts.

Another major type of fraudulent activity involves the more sophisticated criminal—the individual who understands the business of banking and its operating procedures. By creating a fictitious identity, a criminal is able to establish a separate corporate identity and weave a complex web of corporate accounts. The fabricated organization then undertakes a wide variety of financial transactions. The criminal gains access to these funds and the institution bears the loss from such fraudulent activity. Aside from check-related crimes, false identification also offers the opportunity for fraudulent credit transactions. A criminal may attempt to secure a bank credit card relying upon false identification. With false identification, the perpetrator purchases items with the credit card. So long as the aggregate purchase amount remains below the assigned credit limit and since many merchants do not require authorization for certain types of purchases, the criminal might have use of the card indefinitely.

Banks also experience losses from the use of false identification in the purchase of travelers checks. Through the fraudulent purchase of travelers checks, immediate claim of loss or theft of the checks, and subsequent replacement by a bank, the criminal secures twice the amount of his allotted purchase. The perpetrator then uses the checks for personal purchases. The criminal has his or her merchandise, the merchant has the sale, and the bank has the bill. Any amount of investigation only yields a fictitious name at a false address.

Let me briefly describe a recent example of bank crime involving false identification. Last year a major bank experienced substantial loss from such criminal activity. As a service to a corporate customer, the bank issued and mailed dividend checks to shareholders of that corporation. It was discovered that some checks had been issued to unauthorized individuals and cashed at various locations throughout the city. Twenty-five checks for a total of approximately \$6,500 were made payable to twelve fictitious individuals. Examining the endorsements on the backs of the

checks revealed a similarity in handwriting. An investigation into the problem showed that one check requisition clerk had bypassed procedures and issued checks payable to the twelve fictitious names. In order to cash the checks, she needed identification which was readily available.

Through a well-advertised business offering photo-identification services, she received a seemingly official photo I.D. card for \$10. The only legitimate information on the document was the criminal's height and weight. The name, address, social security number, phone number, and date of birth were false. With this false I.D. she was able to generate a wide variety of other false identification documents. Using the false identification, she cashed the unauthorized checks at various currency exchanges and branch offices of the very same bank itself.

Because an individual's credibility provides the basis for financial transactions, banks are vulnerable to this type of deception. Even in the commercial or consumer lending process, false documentation proves to be a major problem in ascertaining the credit worthiness of potential borrowers.

Mr. Chairman, in conclusion I wish to convey bankers' support for the Subcommittee's examination of false identification crimes. We hope this hearing only represents a first step in Congressional examination of this serious problem. Bankers support the Committee's focus upon issues surrounding fraudulent identification. Our Association will continue to work with all levels of law enforcement organizations in a concerted effort to deter criminal activity affecting depository institutions.

Thank you for the opportunity to present this statement and I would welcome any questions from the Subcommittee.

Mr. HUGHES. That concludes our testimony for today. The hearing stands adjourned.

[Whereupon, at 10:52 a.m., the subcommittee was adjourned.]

ADDITIONAL MATERIAL

REPORT BY THE

Comptroller General

OF THE UNITED STATES

Reissuing Tamper-Resistant Cards Will Not Eliminate Misuse Of Social Security Numbers

The social security number has become a widespread means of identification in the United States. As its use as an identifier has grown, so has the opportunity for its misuse--often to fraudulently obtain employment or monetary benefits. However, reissuing tamper-resistant social security cards, as has been proposed, will not correct the underlying conditions leading to social security card and number misuse. GAO recommends that the Congress enact legislation to increase the integrity of the social security number by making it a felony to fraudulently obtain or use one or more social security numbers or to alter, reproduce, counterfeit, buy, or sell the social security number or card. HHS should also strengthen Social Security's card and number issuance process.



HRD-81-20
DECEMBER 23, 1980



COMPTROLLER GENERAL OF THE UNITED STATES
WASHINGTON, D.C. 20548

B-201373

The Honorable Max Baucus
Chairman, Subcommittee on Limitations
of Contracted and Delegated Authority
Committee on the Judiciary
United States Senate

Dear Mr. Chairman:

In response to your June 7, 1979, letter, we are reporting on the problems associated with the expanded use of social security cards and numbers for identification purposes and the more common misuses of the number and card. We are also reporting on whether there is a need for redesigning and reissuing tamper-resistant social security cards and the appropriateness of using social security trust funds to pay for such reissuance.

We gave the Department of Health and Human Services a draft of this report for its review and comment. The Department's comments have been incorporated in this report.

As arranged with your office, unless you publicly announce its contents earlier, we plan no further distribution of this report until 30 days from the date of the report. At that time, we will send copies to the Department of Health and Human Services and other interested parties and make copies available to others upon request.

Sincerely yours

A handwritten signature in dark ink, appearing to read "Elmer B. Staats".

Comptroller General
of the United States

REPORT BY THE
COMPTROLLER GENERAL
OF THE UNITED STATES

REISSUING TAMPER-RESISTANT CARDS
WILL NOT ELIMINATE MISUSE OF
SOCIAL SECURITY NUMBERS

D I G E S T

Use of the social security numbering system as a means of identification has expanded far beyond its original purpose. For instance, the Federal Government--often due to congressional mandate--has used the number as an identifier or authenticator in many tax and welfare programs. Many other public and private entities use the number for similar purposes, as well, leading to increased opportunities to misuse the social security number and card, primarily to obtain unauthorized benefits and employment.

As an identifier, the number must be provided not only to get a job, but to pay taxes, to open a bank or savings account, or to invest money. Also, it must be furnished to apply for welfare or to join the armed services. It may be required when applying for a driver's license, registering to vote, applying for a library card, enrolling in college, presenting a case before the U.S. Supreme Court, or attending a meeting or social function at the White House. (See pp. 7 to 9 and app. III.)

EXTENT OF THE PROBLEM

These non-social-security uses of the number are not generally considered misuses. The three basic misuses associated with the social security number and card are: (1) obtaining numbers by submitting false information on personal identification or genuine and/or counterfeit documents of other persons in order to obtain unauthorized benefits, (2) using fabricated numbers that may or may not belong to other

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people, primarily for employment, and (3) altering and counterfeiting social security cards.

No reliable statistics are available on the extent of misuse or abuse of social security numbers and cards; however, crimes based on false identification, which frequently include false and legitimate social security numbers, are estimated to cost the American taxpayers more than \$15 billion annually. (See pp. 10 and 11.)

In the past few years, several large-scale criminal operations involving false identification and social security number misuse have been identified. These misuses generally involve filing fraudulent income tax returns and obtaining unauthorized benefits from welfare programs and unemployment insurance programs. (See pp. 13 and 14.)

COMBATING THE PROBLEM

Over the past 8 years, the Social Security Administration (SSA) has taken a number of steps to strengthen the integrity of the social security numbering system. Currently, all applicants requesting original social security numbers must submit documentary evidence of age, identity, and citizenship or alien status along with the application. However, many social security numbers are still being obtained illicitly because applicants are submitting fraudulent documents. Furthermore, because the application forms are readily available, they have been obtained in large quantities or printed illicitly to help obtain fraudulent numbers. In addition, the blank social security cards are not tightly controlled. (See pp. 14 to 18.)

SSA has identified many fraudulently obtained numbers in its system, but has not flagged them for SSA and other agency uses. (See pp. 10 and 11.)

Most identification documents, such as birth certificates and driver's and marriage licenses, are issued and regulated by each State. A birth certificate can be obtained fraudulently with relative ease from many States, and once obtained it can be used to get other identification documents. Without tighter State controls of vital statistics records, the validity of social security numbers issued on the basis of such documents is questionable.

Some of the problems contributing to social security number and card misuses are beyond SSA's control or authority. Curtailing these contributory problems will require inter-agency cooperation, action outside the Federal sector, and tighter issuance controls. (See pp. 10 to 13.)

THE "TAMPER-RESISTANT" CARD

To help prevent misuse of the card, the President and a Member of Congress proposed that SSA issue redesigned cards. In response to the President's proposal, the Secretary of Health and Human Services directed SSA to develop a "tamper-resistant" card.

SSA planned to begin issuing redesigned cards in 1980 to new applicants and to persons requesting replacement and name-change cards. However, issuance of the redesigned cards was postponed because legislation was introduced to reissue cards not only to new applicants, but to all current social security number cardholders.

SSA recognized that issuing redesigned cards to current cardholders would raise not only administrative and logistical concerns, but also questions related to privacy, funding, enforcement, and public acceptance and cooperation. Consequently, in October 1979, during GAO's review, the Commissioner of Social Security proposed that use of the

redesigned cards be delayed until the questions affecting reissuance could be discussed further within the executive branch. Such discussions were not held, however, and in January 1980, the Secretary of Health and Human Services decided that, in view of the SSA's "financing problems," a "tamper-resistant" social security card should not be issued at this time.

WHAT IS THE SOLUTION?

Reissuing the cards will not correct the underlying conditions contributing to social security number and card misuse. For instance, it will not prevent individuals from obtaining social security numbers using false identity documents, or from using someone else's number and card. Furthermore, neither SSA nor other public or private entities would benefit appreciably from such reissuance. Therefore, GAO questions whether the cost of reissuing the cards, which would be at least \$850 million and could be as much as \$2 billion, is justifiable. Additionally, from a logistical standpoint reissuance may not be practicable and may cause adverse public reaction. (See ch. 3.)

Any further studies of reissuing social security cards should include evaluations to make sure that all principal problems and alternatives have been adequately considered and that the proposed actions are in the best interest of the Government and the public.

RECOMMENDATION TO THE CONGRESS

It is a misdemeanor to obtain and use social security numbers fraudulently and a felony to counterfeit the Department of Health and Human Services' seal in reproducing social security cards. However, it is not a crime to print, photograph, or make any impression in the likeness of social security cards, or

to buy, to sell, transfer, or otherwise deliver such falsified, forged, or counterfeited social security cards.

GAO believes that, to improve the integrity of the social security number and abate social security number and card misuse, legislation is needed making such acts felonies. Bills that would do so have been presented to the Congress.

The Congress should enact such legislation.

RECOMMENDATIONS TO THE
SECRETARY OF HEALTH
AND HUMAN SERVICES

The Secretary should direct the Commissioner of Social Security to further strengthen the integrity of the social security number system by

- providing training to SSA field office personnel to enable them to more readily detect fraudulent evidentiary documents submitted with social security number applications,
- placing the social security number application forms and cards under tighter control, and
- flagging identified fraudulently obtained social security numbers for SSA and other agency uses.

Additionally, SSA should encourage the States to tighten controls over vital statistics records since State programs can be adversely affected by social security number misuse.

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The Department of Health and Human Services tentatively agreed with GAO's recommendations and said that corrective action was underway. (See p. 28.)

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ABBREVIATIONS

GAO	General Accounting Office
HHS	Department of Health and Human Services
INS	Immigration and Naturalization Service
SSA	Social Security Administration
SSN	social security number

CHAPTER 1INTRODUCTION

The social security numbering system began in 1936. Since then, over 267 million social security numbers (SSNs) have been issued on paper cards. At least 75 percent of these numbers were issued to applicants based solely on uncorroborated identifying information. The advent of computerized recordkeeping fostered the public and commercial use of the SSN as an identifier and the social security card as an identity document. 1/ Correspondingly, changes to the Social Security Act and the 1976 Tax Reform Act--between 1971 and 1979--have established a congressional intent that the Social Security Administration (SSA) take some non-social-security program uses into account when formulating its SSN policy. Accordingly, SSA has made several modifications to its SSN issuance procedures during the past 8 years.

THE PURPOSE OF THE SSN AND CARD

The Social Security Act, which became law on August 14, 1935, provided for collecting taxes for old-age benefits. Thus, a separate account of earnings and social security taxes withheld from each worker had to be maintained so that eligibility for benefits and the amount of these benefits could be correctly established at retirement. After the act was passed, social security program administrators realized that earnings information might come from various sources, and because many individuals shared the same name, more than a name would be needed to control the individual's record of earnings. Therefore, they created the social security numbering system to help identify employees' earnings covered by the act.

A nine-digit social security account number, commonly known as the social security number, was adopted. Individuals' numbers were printed and issued on a paper card. Although various card printing changes have occurred over the years, neither the SSN nor the paper on which it is printed has changed appreciably since the numbering system was established.

1/See page 9 and appendix III for a list of public and private SSN and card uses.

Basically, the paper card on which the number is printed was to be used as the employee's record of the account number issued and to provide the employer with the proper number for reporting earnings to the employee's social security account. The card was never intended to be used for identification, and such a statement was printed on all cards issued from 1946 until 1972. (See facsimiles of social security cards on the following page.)

BASIS FOR USING THE SSN AS AN IDENTIFIER

After the social security numbering system was implemented, the Federal Government recognized the SSN could be used as a convenient personal identifier. Therefore, in November 1943, Executive Order 9397 was issued, instructing all Federal components to use the SSN "exclusively" whenever the component head found it advisable to establish a new identification system for individuals. Consequently, with the advent of computerized recordkeeping systems, the SSN became widely used as a personal identifier or authenticator within the Federal Government. This use has since spread throughout the public and private sectors, as discussed in chapter 2.

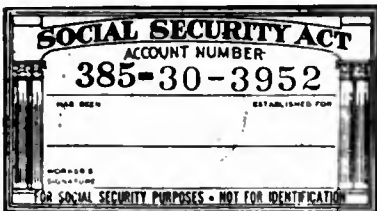
THE ISSUANCE PROCESS AND SSA'S APPROACH TO IMPROVING THE INTEGRITY OF THE SSN AND CARD

Initially, the SSN issuance procedures were designed for the convenience of persons applying for a number. Because millions of numbers had to be issued in a short time period, the process had to be simple. It was made simple because of the belief that the SSN would be used only for social security purposes and that a simple procedure would encourage public cooperation and support for the social security program. Furthermore, program administrators believed individuals would have little incentive to obtain more than one SSN for the purpose of defrauding the social security program because benefits were generally dependent on many years of covered employment during an individual's lifetime.

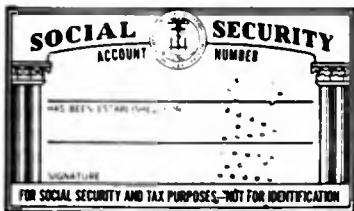
When the social security numbering program began, SSN applicants had only to complete a form stating their name (and name at birth if changed), date and place of birth, and parents' names, without submitting any evidence to support

Facsimiles of Social Security Cards

The original version of the social security card.



The seventh version of the social security card. This card, first issued in 1946, contains the SSA seal and shows "for social security purposes, not for identification."



The 15th version of the social security card. The legend on the card was changed in 1961 to read "for social security and tax purposes, not for identification." This version also has the Department of Health, Education, and Welfare l/ seal, which first appeared in 1954.



The proposed social security card to be issued on banknote paper.

1/Now the Department of Health and Human Services (HHS).

Source: SSA

the information given. The social security program administrators recognized that this issuance procedure made it possible for individuals to obtain multiple SSNs, particularly if they provided false information. However, the administrators believed that controls were adequate to ensure proper benefit payments and that issuing and then detecting multiple numbers was, overall, more cost effective for SSA and more convenient for the public than having rigorous issuance procedures. This approach continued until November 1971.

Changes in the issuance process

The initial registration and issuance of SSNs and cards was accomplished by the U.S. Post Office Department through about 46,000 post offices. From November 1936 to June 1937, over 22 million numbers were assigned. As of July 1, 1937, the registration and issuance functions were assumed by SSA field offices. From 1937 to 1972, SSA field offices processed the SSN applications and issued virtually all numbers and cards "over the counter" to individuals without requiring proof of identity.

In March 1972, to obtain better control, SSA transferred issuance of original SSNs from its field offices to its central office in Baltimore, Maryland. In May 1973, the central office began inputting into a computerized system all data from applicants' initial SSN applications which it had received before 1973, and any new applications received thereafter. The new process enabled SSA to electronically screen and crosscheck SSN requests, helped to detect SSN applicants who had already been assigned an SSN, and thereby helped SSA to avoid issuing multiple numbers to applicants in such instances.

Currently, SSA has over 1,300 field offices that accept, process, and forward original SSN applications to data operations centers where the applications are checked for accuracy. If the information appears to be accurate, it is keyed onto computerized tape and forwarded to Baltimore. In addition to processing original applications, the field offices can issue replacement and name-change cards directly to individuals. SSN applications are also processed through many State offices, as SSA has agreements with 31 States, the District of Columbia, and Puerto Rico to help enumerate individuals who do not have an SSN when applying for or receiving benefits from the Aid to Families with Dependent Children program.

New issuance procedures
require evidence of identity

In November 1971 (in response to recommendations made by an SSA task force), SSA began requiring all applicants age 55 or older to provide simple evidence of identity to obtain an SSN. Additional changes occurred in 1972, when the Social Security Act was amended to require that SSA issue numbers to all legally admitted aliens and to anyone receiving or applying for any benefits paid in whole or in part with Federal funds. In implementing the amendments, SSA regulations required applicants applying for original SSNs to submit evidence of age, true identity, and U.S. citizenship or lawful alien status. However, SSA applied the evidence requirements only to foreign-born applicants, regardless of age, and to U.S.-born applicants age 18 or older.

In 1978, SSA again acted to improve the integrity of the SSN by implementing new procedures that tightened evidence requirements. These procedures, which became effective on May 15, 1978, required that:

- All original SSN applicants provide documentary evidence of age, identity, and citizenship or alien status.
- All applicants for replacement and/or corrected SSNs had to begin providing evidence of identity.
- SSA personnel conduct an in-person interview with all applicants age 18 and over who apply for an original number.
- SSA management establish employee accountability procedures to ensure that SSN evidence requirements are met.
- SSA management establish an improved and expanded quality control/quality assurance program for SSN activities.
- State and local agencies processing SSN applications for persons applying for benefits under the Aid to Families with Dependent Children program conform with SSA's evidence requirements.

Additionally, SSA management was to actively encourage schools and school systems to participate in voluntary SSN enumeration programs for students at the first-year, high school level. Also, SSA personnel were to increase their efforts to investigate SSN abuse and encourage U.S. attorneys to prosecute fraud cases.

Although SSA acted to tighten the issuance process, it recognized that the potential for misrepresentation of identity through the use of fictitious and fraudulently obtained SSNs and altered or counterfeit social security cards continued to exist.

In connection with the President's alien adjustment legislative proposal, 1/ SSA was directed by HHS to (1) develop a tamper-resistant card to help register and control the work status of aliens by issuing a social security card that would be less prone to forgery and (2) use it as one of an alien's identity documents. Accordingly, a tamper-resistant card was designed and approved for issuance to aliens and all other future cardholders beginning in 1980.

However, because of congressional interest in reissuing tamper-resistant SSN cards to all present and future cardholders, SSA reviewed the problems of reissuance and recommended that the Secretary of HHS discuss with the executive branch questions concerning SSN issuance/reissuance. Such discussions were not held, but HHS decided that, because of SSA financing problems, issuance of the redesigned social security card should be postponed. (See ch. 3 for further discussion on the reissuance of social security cards.)

The objectives, scope, and methodology of our review are discussed in chapter 5.

1/In August 1977 the President, in a message to the Congress, proposed that several actions be taken to improve the alien adjustment legislation. The principal objectives of his proposal were to (1) regain better control of the U.S. borders, (2) limit employment opportunities for undocumented aliens who are competing with Americans for jobs, (3) register and regulate aliens who are already in the United States, and (4) improve cooperation with countries from which undocumented aliens have come into this country.

CHAPTER 2USING THE SSN FOR IDENTIFICATIONPROVIDES ADDITIONAL OPPORTUNITY FOR MISUSE

SSN misuse has become more prevalent since both public and private entities began using the number extensively for identification, recordkeeping, data exchange, and data cross-referencing purposes.

Although the extent of SSN misuse is unknown (for successful misuse is, by definition, undetected), several large-scale, criminal operations involving SSN misuse have been discovered in the past few years. Generally, this misuse has involved obtaining numbers and cards by supplying false identity information and then using the number along with other false identification for illicit purposes.

USE OF THE SSN AS AN
IDENTIFIER IS WIDESPREAD

Executive Order 9397 (issued in 1943) and laws enacted since then sanction Government use of the SSN as an identifier; however, the order and laws are silent regarding private sector use of the number. Although reliable statistics are not available on how many State and local governments and privately owned businesses use the SSN as an identifier, indications are that such use is widespread and growing.

The first step in extending the use of the SSN beyond the purpose of the social security program was taken by the Social Security Board (the predecessor of SSA) in 1937. The Board decided that the States should use the SSN to administer unemployment insurance programs, rather than having each State agency develop its own identification system. As a result, many workers not covered by the social security program received numbers for use in State unemployment insurance programs.

Further expansion of the SSN as an identifier came in 1943, when the Civil Service Commission 1/ decided there should be a numerical identification system for Federal

1/Now the Office of Personnel Management.

employees and proposed using the SSN for that purpose. The Commission's proposal led to the issuance of Executive Order 9397, which states:

"Hereafter any Federal department, establishment, or agency shall, whenever the head thereof finds it advisable to establish a new system of permanent account numbers pertaining to individual persons, utilize exclusively the Social Security account numbers * * *."

Although the order was issued in 1943, the Commission did not actually establish a system using the SSN as the identifying number until 1961. The SSN was not used extensively as an identifier until the 1960s, when Federal agencies began to develop computer-based recordkeeping systems that made the use of preestablished numerical identifiers attractive.

Perhaps the most important expansion in the use of the SSN came in 1962, when the Internal Revenue Service began using the number for taxpayer identification and authentication. Since 1962, the Federal Government--often due to congressional mandate--has expanded the use of the SSN far beyond its original purpose. A chronology of Federal Government uses of the SSN since 1962 is shown in the table on the following page.

SSN uses by other public and private entities are widespread, and it would be impractical to try to list them all; however, some examples are included in appendix III.

The SSN and its use in interagency data exchange projects

The SSN is also widely used by the Federal and State governments in interagency data exchange projects. During the past few years, the SSN has been used in computer analyses to match records to identify unauthorized payments. Some examples:

- States' Aid to Families with Dependent Children rolls were matched against each other.
- Federal payrolls were matched against SSA benefit rolls.
- Aid to Families with Dependent Children program payments were matched against SSA's summary earnings record.

<u>Year</u>	<u>Responsible authority</u>	<u>New use for SSN</u>
1963	Treasury	To register U.S. securities (other than U.S. savings bonds).
1964	Treasury	Buyers of series H savings bonds required to provide their SSNs.
1964	SSA	Approved issuance of SSNs to ninth grade pupils if requested by a school.
1965	SSA	To administer State old-age assistance programs.
1965	The Congress	Passed Medicare legislation, requiring recipients to provide SSNs.
1965	Civil Service Commission	To administer civil service annuitant program.
1966	Veterans Administration	As hospital admissions number and for patient recordkeeping.
1967	Department of Defense	As the service number of all military personnel.
1972	Treasury	Banks, savings and loan associations, credit unions, and brokers/dealers in securities required to obtain SSNs of all their customers.
1972	The Congress (Social Security Amendments of 1972)	All recipients of benefits funded wholly or partially by the Federal Government were encouraged to provide their SSNs.
1973	Treasury	Buyers of series E savings bonds required to provide their SSNs.
1974	The Congress (Social Services Amendments of 1974)	SSN became an entitlement requirement in the Aid to Families with Dependent Children program.
1976	The Congress (Tax Reform Act of 1976)	Authorized States to use SSNs to administer tax, welfare, driver's licenses, and motor vehicle registration laws.

- Veterans benefit rolls were matched against Supplemental Security Income benefit rolls.
- HHS payrolls were matched against the District of Columbia's Aid to Families with Dependent Children payment records.
- HHS payrolls were matched against Retirement, Survivors, and Disability Insurance and Supplemental Security Income payment records.
- Federal civilian and military payrolls were matched against State Aid to Families with Dependent Children payment records.

As illustrated above and in appendix III, the SSN is used for various purposes. However, the uses cited, although they are non-social-security uses, are not generally considered misuses. Misuse of the number and card is generally associated with an illicit act to obtain unauthorized benefits.

SSN MISUSE IS EXTENSIVE, BUT NO
FIRM STATISTICS ARE AVAILABLE

Basically, the opportunity for SSN misuse results from the increased use of the SSN as an identifier or authenticator in various Federal and State welfare, tax, and unemployment insurance programs. Since the SSN is legally required of most participants in such programs, a person seeking to obtain unauthorized benefits through false identification must either use one or more false SSNs or obtain multiple valid SSNs. Many multiple SSNs have been obtained and used in this way. Also, many fictitious SSNs and SSNs belonging to other individuals have been used fraudulently.

Although SSN misuse is known to be widespread, it is impossible to estimate exactly how much it is costing the American taxpayer because many such crimes go undetected and unreported. However, according to HHS and Department of Transportation estimates, crimes based on false identification, which frequently include false and legitimate SSNs, cost the American taxpayers more than \$15 billion annually.

Over the years, many individuals have obtained multiple SSNs. According to an SSA task force report, many of the known multiple numbers were issued during the early years

of the program, when some people believed that they needed a new number each time they changed employment and when SSA's screening procedures--the process used to determine whether an individual had already been issued an SSN--were not as efficient as they are now. However, other multiple SSNs have also been obtained, either inadvertently, because of problems in the issuance process, or because individuals have provided false (fraudulent) information to support SSN applications.

Through flagging the fraudulently obtained SSNs, SSA could improve the Government's ability to detect illicit uses made of such SSNs against Federal and State benefit programs. As previously mentioned, the interagency data exchange projects sought to identify unauthorized benefit payments in selected Government programs. However, fraudulently obtained SSNs that had been detected by SSA were not matched against those benefit rolls to determine if such illicitly obtained numbers were being used.

Therefore, a person could probably have been listed on multiple jurisdictional benefit rolls indexed under several fraudulently obtained SSNs. Moreover, when SSA verifies an SSN at the request of another agency, it does not disclose additional SSNs, if any, which it has cross-referred for that person unless such information is specifically requested by the agency, and the additional SSNs are provided for which verification is to be made. Consequently, Federal and State agencies may be exposed to fraud if they depend on a simple "SSN Match" verification procedure.

According to a 1971 SSA task force report, the SSN system contained over 8 million known multiple numbers--instances where individuals were issued more than one number. The task force also reported that most individuals with multiples hold only two numbers, and if that is the case, about 4 to 5 million individuals have been assigned more than one number.

Although no one knows how many undetected multiple numbers the system contains, the task force assumed that the number was "exceedingly small." According to their report, most undetected multiple numbers have escaped detection because the applications on which they were issued contain widely discrepant information (e.g., different names, dates of birth, or parents' names). Therefore, SSA's screening and

cross-reference processes have not identified these applications as originating from one individual.

SSA has reported on and we observed incidences that may cause multiple SSNs to be issued, mainly because SSA field office personnel do not always comply with the issuance procedures. For example:

- Incomplete or inaccurately coded applications were forwarded for processing.
- Evidentiary procedures were not always followed.
- Misuse of SSN expediting procedures (the communication system used by field personnel to obtain an SSN for an applicant when there is an immediate need) is causing issuance of many duplicate cards with the same number and some multiple numbers.

Moreover, during our visits at SSA's field offices, we noted that one of the factors contributing to these breakdowns in SSN issuance procedures is that, in some cases, newly hired, low-salaried employees who were inadequately trained in issuance procedures were assigned as SSN account clerks. In addition, they were inadequately trained to determine, upon inspection, the genuineness of those evidentiary documents that SSA is currently relying upon for SSN issuance.

SSA is aware of weaknesses in its SSN issuance process and has taken some steps to correct them. For example, SSA has already begun training personnel in fraudulent Immigration and Naturalization Service (INS) document detection. Sometimes such identity documents are presented by persons purporting to be "legal aliens" when applying for SSNs.

Currently, SSA requires documentary evidence of age, identity, and citizenship or alien status of all original SSN applicants. However, as discussed later in this report, people may obtain single and multiple numbers by submitting false information based on fictitious or fraudulent documents. These people may be trying to assume new identities or to commit illicit acts.

Although not all inclusive, the identified SSN misuse involves

- using the SSN, along with false identification or false information, to obtain unauthorized benefits;
- using someone else's SSN, primarily for employment; or
- borrowing, stealing, counterfeiting, buying, or selling social security cards.

How the SSN is misused to
obtain unauthorized benefits

Although the full extent of SSN misuse is unknown, we identified and obtained information on a number of instances in which the SSN was used to obtain unauthorized benefits. The following examples illustrate the kinds of SSN misuse we noted. (See app. IV for additional cases of SSN misuse.)

- An individual in Washington State obtained three SSNs. Two SSNs were acquired under aliases. The individual used two numbers to obtain Supplemental Security Income payments, veterans' benefits, and Disability Insurance benefits, while working under the third number.
- A recipient in California was charged with using false identification documents, including SSNs, to assume the identity of eight separate persons having a combined total of 47 children to defraud the Aid to Families with Dependent Children and Food Stamp programs out of almost \$300,000.
- An individual in Oregon obtained 170 SSNs and filed over 50 false income tax returns for refunds before being detected.
- A former Internal Revenue Service employee obtained an SSN under an alias and used it to file four separate false income tax returns claiming about \$653,000 in refunds. The individual received and cashed three refund checks totaling \$565,340 before being caught.

- Two individuals obtained 425 SSNs in the names of fictitious persons. They then filed 850 fictitious Federal income tax returns and 800 State income tax returns claiming approximately \$400,000 in refunds. The individuals received about \$180,000 before being caught.
- Several individuals in California used fictitious SSNs and fictitious personal names to create nonexistent businesses and reported salaries paid to employees and withholdings to the State unemployment insurance fund. They then posed as employees of the businesses to collect unemployment insurance benefits.
- An individual in New Jersey received unemployment compensation benefits under his name and SSN while working under another person's name and number. This individual was convicted for illegal use of an SSN.

Tighter issuance controls have increased the use of fraudulent documents to obtain SSNs

Even though the SSA field offices have tightened issuance controls since 1974 by requiring applicants to furnish documentary evidence of age, identity, and citizenship or alien status and are conducting in-person interviews with applicants age 18 and older, SSNs have been obtained illicitly. For example, we selected for validation 31 SSNs which had been in the possession of illegal aliens before being deported. Thirty of those had been issued by SSA; one had not. In 15 of these cases, the names on file with SSA did not match the names of the illegal aliens. In the other 15 cases, the names of the illegal aliens matched those on file with SSA. The one not issued by SSA obviously was a fictitious number. Accordingly, there were 30 SSNs obtained by (1) submitting false information or documentation to SSA or (2) other means-- borrowing, stealing, buying, altering, or counterfeiting the cards using numbers on file with SSA.

Some SSN applicants submit fraudulent documents to SSA field offices and, although many false documents are detected and rejected before issuing an SSN, some may not. In March 1979 one of SSA's field offices discovered some cases involving

fake Virgin Islands birth certificates. They had been submitted in support of benefit and SSN applications. Following this incident, SSA's field integrity staff began checking the validity of other Virgin Islands birth certificates and found that about 25 percent were counterfeit.

Based on this experience, SSA is planning to verify all Virgin Islands birth certificates received in the field office before adjudicating benefits and SSN applications. SSA does not know how many SSNs have been issued to applicants based on false documents.

SSA accepts several types of evidentiary documents to substantiate age, citizenship, and identity. The primary documents used to obtain an SSN are a birth certificate or baptismal record (to establish age and citizenship) and a school record or marriage or driver's license (to establish identity).

Most of these evidentiary documents are issued and regulated by the States. Although some States have tightened issuance controls over such documents, they can still be fraudulently obtained with relative ease. For example, we noted that birth certificates can be obtained, in several States, from State, county, and city government offices by applying for them either in person or in writing and providing minimal biographical data about the person whose birth certificate is requested. Such information about a person (i.e., date and place of birth and parents' names) can be obtained from public records, tombstones, and the obituary section of some newspapers. Moreover, these State and local government offices that issue birth certificates generally do not keep records of how many certificates were issued or to whom they were issued.

Accordingly, many individuals can obtain SSNs by submitting genuine or counterfeit birth certificates that belong to other people. A case currently under investigation by SSA indicates how counterfeit birth certificates can be used to obtain SSN cards. Over 500 SSNs were issued to alleged Illinois residents on the basis of Texas birth records. Because fraudulently obtained Texas birth records had become a problem for SSA, it attempted to verify these 500 alleged birth records with the Texas Bureau of Vital Statistics. That office, however, could not verify that any of these

alleged Illinois residents were born in Texas even though it keeps record of all births in the State.

At the time of our review, it was not known whether the SSN applicants in this instance exist and have the cards and numbers or the situation is an example of a fraudulent document production/brokerage scheme devised to obtain and sell cards. HHS' Office of Inspector General, Chicago, initiated an investigation of this matter and has confiscated equipment and other evidence related to counterfeit document production.

Although some SSA field office personnel have been trained to detect fraudulent INS documents, SSA has provided no training on how to detect fraudulent birth records. We found that fraudulent birth certificates, baptismal records, and INS documents were being presented at some of the field offices. But, we found no instances where the field offices knowingly processed an SSN application if a false document or false information were presented. However, if false documentation passes inspection, there is no reason to believe that the application would not be processed and an SSN issued.

During our review of SSA's evidentiary document inspection procedures, we observed instances that indicated the inspections were inadequate. At three SSA field offices, SSA personnel reviewed such documents as driver's licenses, and marriage and birth certificates in a cursory manner. The emphasis was on whether the SSN applicant had the necessary documents, but not on whether they were authentic or whether they belonged to the bearer of such documents.

For example, in one of these SSA field offices, an SSA application had been accepted for processing even though it had unusual characteristics. The applicant was 37 years old and allegedly had never had an SSN. Moreover, his birth certificate indicated Cook County (Chicago) 1/ as his birthplace. The SSA employee who accepted this application said that, when she considered the total circumstances in this case, she became suspicious, but did not feel that it was her obligation to inquire into the validity of such documents.

1/A large false document production and distribution operation in Cook County was then under investigation by HHS' Office of Inspector General.

We asked the field office to verify the birth certificate submitted, in support of the SSN application with the Illinois Bureau of Vital Statistics; that office did not have any such birth record. The SSA field office stopped processing the application, and the SSN was not issued.

We discussed this problem with SSA headquarters officials, who agreed that proper training of SSA field office personnel in inspection and verification of evidentiary documents would help prevent SSA from assigning SSNs on the basis of fraudulent documents.

Uncontrolled and unprotected SSN applications and blank social security cards can cause adverse effects

The forms on which the SSN application is made and the number is printed (Form SS-5 and Form OA 702, respectively) are not sufficiently controlled and protected against unauthorized uses. They can be, therefore, a potential source for wholesale filing of fraudulent SSN applications and a flood of improper social security card issuances.

SS-5 forms are available to the public in large uncontrolled quantities and may be obtained at all SSA field offices and at many State agencies. These forms are distributed to the public, upon request, through the mail or in person from any of the above outlets.

SSA has detected many fraudulently filed SSN applications. Through its investigations, SSA determined that, in several instances, such applications had common identifying characteristics (i.e., similar handwriting) in their preparation. SSA investigators were able to trace them to several large-scale fraudulent SSN application and card supply schemes. For example, SSA reported in July 1978 that it had intercepted 35,000 bogus SS-5s, which were submitted from one illicit firm in California. According to SSA's data, such bogus applications had arrived at SSA at a rate of 300 to 1,000 per week. In another fraudulent SSN application scheme, SSA noted that over 500 SSNs had been issued before its detection based on fraudulently prepared applications.

The Forms OA 702, (cards) on which SSA prints the applicant's SSN, are stored at SSA's central office and its district offices and teleservice centers. These blank cards are under limited physical control and protection. For instance, the cards are shipped and received through the regular mail in bulk quantities--2,250 per case. At one field office 17 cases of cards were available, stored in a lockable cabinet. However, clerical personnel had day-to-day access to them. Also, they had a "working supply" in their own desks. Moreover, we noted that there was no control over the card stock; therefore, the field office could not tell if any blank cards had been misplaced or stolen.

The blank social security card is particularly vulnerable to unauthorized use. A firm dealing in fraudulent social security card supply would only have to fill out such blank cards with whatever name desired and assign an SSN to each. The names and numbers could be those of other persons or may be fictitious. In either case, the potential for fraudulent SSN use is almost unlimited.

Counterfeiting or altering
social security cards is not unlawful

Although it is a Federal crime to furnish false information to obtain an SSN, it is not a crime to counterfeit a card, alter a valid card, or lend or sell a card to another person. It is a crime, however, to reproduce the HHS seal. Reproduction of the HHS seal is a violation of 18 U.S.C. 506.

INS officials stated that many illegal aliens are apprehended with metal social security cards (which not only contain no seal, but are not even a good replica of the "real McCoy" as SSA does not print metal cards) or counterfeited or altered paper cards (which may contain the HHS seal) in their possession. According to an SSA investigation, the metal cards with any number desired, SSN or other, sell for about \$3, while counterfeit paper cards sell for \$10 to \$50 each. A valid social security card may sell for \$25 to \$250 or more. Because SSA's investigative jurisdiction is limited to violations of the Social Security Act and, according to an SSA official, most of these cards do not contain the HHS seal, it has no authority to investigate or recommend prosecution on most acts described above.

HHS and Members of Congress have submitted legislative proposals to increase the penalty for SSN misuse from a fine of not more than \$1,000, imprisonment of not more than 1 year, or both (misdemeanor), to a fine of not more than \$5,000, imprisonment of not more than 5 years, or both (felony). Legislation has also been proposed to establish similar penalties for using nonexistent SSNs for fraudulent purposes and for counterfeiting, altering, buying, or selling social security cards (H.R. 10652, Jan. 1978, 95th Cong.; S. 267, Jan. 1979, 96th Cong.; H.R. 6652, Feb. 1980, Sec. 109, 96th Cong.).

CHAPTER 3REISSUING SOCIAL SECURITY CARDS ON TAMPER-RESISTANTPAPER WOULD BE COSTLY AND OF LITTLE VALUE

SSA postponed implementing a proposal to reissue social security cards on tamper-resistant paper to the current 200 million cardholders. However, if such cards are reissued, the problems associated with the widespread misuse of SSNs and cards will not be solved because the underlying conditions contributing to misuse will still exist. Furthermore, from the view of SSA and other public and private entities we contacted, the benefits of reissuing the cards to all current cardholders will not justify the estimated \$850 million to \$2 billion cost and the logistical problems expected.

After investigating the reissuance problems, SSA recommended to the Secretary of HHS that discussions be held with others in the executive branch on the subject of social security card issuance and reissuance before proceeding further. The Secretary of HHS, due to "SSA financing problems," decided not to issue the redesigned cards. The Secretary stated that reissuance should be addressed following "the post-1980 evaluation" of SSA financing problems.

IMPETUS TO ISSUE REDESIGNED
SOCIAL SECURITY CARDS

In late 1976, SSA officials considered redesigning the social security card to combat increasing fraud and abuse involving SSNs. However, SSA made no change in the card because it felt that, to deter fraud, all existing cards would have to be replaced and that this would be too expensive. Consequently, the Commissioner of Social Security decided that SSA should neither propose nor endorse proposals for tamper-resistant social security cards.

In April 1977, however, the Secretary of HHS directed SSA to explore alternative card formats and compositions that would be tamperproof and less susceptible to counterfeiting. This action was taken when the President introduced proposed alien adjustment legislation designating the social security card as one of the authorized identification documents for aliens. Four types of material for social security cards were considered: plastic, plastic with magnetic strip,

security filmcoated, and banknote paper. SSA eventually determined that a card made of tamper-resistant paper (banknote) would be the most cost effective.

In August 1978, approval was given by HHS to redesign and issue the social security cards on tamper-resistant paper. The redesigned card was to be issued, beginning in 1980, to new applicants and applicants requesting replacement cards. The redesigned card was to contain, in addition to the SSN and the cardholder's name, the date of birth and sex. During 1979 SSA obtained three design models from the Bureau of Engraving and Printing. However, in January 1979 Senator Moynihan introduced legislation (S. 266, 96th Cong., 1st Sess.), which would require SSA to reissue social security cards to all current cardholders. Thus, SSA postponed issuance to new applicants only and initiated studies to address the various aspects of reissuance to all cardholders.

During 1978 and 1979, SSA prepared various internal discussion papers addressing the

- cost of issuing redesigned cards to new applicants versus issuing redesigned cards to new applicants and all current cardholders;
- benefits of card reissuance to SSA, other agencies, and individuals;
- level of card security required to prevent potential counterfeiting;
- time frames for card reissuance;
- evidentiary requirement of individuals (affected by card reissuance);
- enforcement operations needed for card reissuance;
- need for new, and effect of pending, legislation on card reissuance; and
- source of funding for card reissuance.

SSA'S OPTIONS FOR IMPROVING INTEGRITY
OF THE SOCIAL SECURITY CARD

In October 1979, the Commissioner of Social Security issued a memorandum to the Secretary of HHS addressing the various options available for social security card issuance. According to the Commissioner, suggestions had been made to improve the integrity of the SSN and card by issuing redesigned cards that would be tamper resistant and difficult to counterfeit. Furthermore, redesigned cards would reduce the potential for misrepresentation of identity through the use of fraudulent SSNs and stolen or counterfeit social security cards. The Commissioner stated that, although misrepresentation of identity is not a real threat to the social security system, SSA may have to issue redesigned cards to all new applicants and all current cardholders if the SSN is to be improved as an identity document. The Commissioner recognized that social security card reissuance presented a number of problems and that SSA or HHS alone should not make the decision to issue redesigned cards to all current cardholders. The options proposed by the Commissioner and their advantages and disadvantages are presented below.

Option 1--SSA would issue redesigned social security cards to those applicants being assigned SSNs for the first time and those requesting replacement and name-change cards. According to SSA, this would be the most cost-effective way to meet the President's goal of an upgraded, tamper-resistant social security card, and it would show the Congress that SSA was acting to develop and use a tamper-resistant card. SSA recognized, however, that integrating the new cards into society would be slow. Since more than 80 percent of new issuances currently go to applicants under age 18, it would take about 60 to 80 years for existing cards to be phased out through the regular replacement process. Therefore, although the new cards would be better identifiers, they would have little immediate value in deterring fraud. Anyone wishing to counterfeit, alter, or otherwise misuse social security cards could simply use the old version.

Option 2--SSA would issue redesigned social security cards to all applicants and current SSN cardholders. The estimated 200 million social security cards currently used would be systematically replaced with new cards over a 5- to 10-year period. Each existing SSN holder would be required

to submit evidence of identity, age, and U.S. citizenship or alien status, and each SSN would be verified before a new card was issued. Substantial adverse reaction to this option could be expected, both from private citizens and Members of Congress.

Although this option would be the quickest method of disseminating new tamper-resistant cards to all cardholders, it would be difficult to justify financing such a project with social security trust funds because the value of tamper-resistant cards would accrue largely to other agencies or private enterprises.

Option 3--SSA would continue to issue the current social security card while working with other concerned Federal agencies to develop legislation addressing the questions of social security card reissuance, its financing, the privacy implications, and the associated responsibilities of various Federal agencies. This option would allow the President, the Congress, and the public to analyze thoroughly a number of competing considerations before taking a major action.

Option 4--SSA would continue to issue the current social security card. Existing evidence requirements would continue to be applied to current applicants, but no attempt would be made to identify or verify the records of other SSN holders.

The Commissioner recommended option 3 to the Secretary of HHS and requested a decision before proceeding further with plans to issue redesigned social security cards. In January 1980, the Secretary decided that, in view of SSA's "financing problems," the social security card should not be reissued at this time.

We discussed the Secretary's decision to postpone the designing and issuance of a "tamper-resistant" card with a member of her staff. This official said that the Secretary believes the present social security card is adequate for SSA program purposes; therefore, the Secretary's office does not have plans to pursue the social security card redesign issue in the future unless SSA decides that a "tamper-resistant" card is needed.

MAJOR UNDERLYING CONDITIONS ALLOWING
PEOPLE TO IMPROPERLY OBTAIN AN SSN
WILL NOT BE RESOLVED BY REISSUANCE

Regardless of whether a redesigned social security card is issued, certain underlying conditions contributing to misuse will continue to exist. For example, people will still be able to obtain one or more SSNs by using false evidentiary documents, such as birth certificate, driver's license, baptismal record, or immigration record. Furthermore, the card will have no more validity as an identity document since most employers, financial institutions, etc., do not ask to see it. And if they did, they probably could not determine its validity.

Since it is not illegal to alter, buy, borrow, or sell SSNs and cards, anyone may still, with impunity, be able to get valid or invalid SSNs by fabricating, purchasing, borrowing, or stealing SSNs and cards and by counterfeiting old social security cards.

Generally, it is the SSN and not the card which is being misused and social security card reissuance will not correct this misuse. According to officials at SSA and many public and private sources we contacted, most entities never ask to see the social security card, since there is no requirement, legal or otherwise, to view the card to ensure it belongs to the presenter. Furthermore, even if an entity looks at the social security card, it is usually only to verify the accuracy of the SSN for recording and reporting purposes.

SOCIAL SECURITY CARD REISSUANCE WOULD
BE COSTLY AND SHOULD NOT BE FINANCED
BY THE SOCIAL SECURITY TRUST FUND

SSA estimated the cost of reissuing the social security cards at about \$850 million; however, this amount did not include costs for extended office hours, additional personnel and office space, purging of SSN records, or corollary workloads. Such corollary workloads would include

- reconciling earnings discrepancies,
- processing additional claims,
- processing over- and underpayments,

- developing fraud cases, and
- providing public information.

SSA estimated that these additional costs added to its estimated cost of \$850 million for reissuing the cards could bring the total cost of the reissuance operation under option 2 to as much as \$2 billion.

SSA recognized it would be difficult to justify financing card reissuance with social security trust funds. According to SSA, any real benefit of a tamper-resistant card (which assists in identification) would accrue only to other agencies because perpetrating fraud against the social security system by mere possession of a counterfeit or fraudulently obtained social security card is practically impossible. Furthermore, reissuance of the cards could not guarantee a totally fraud-proof system.

SIGNIFICANT LOGISTICAL PROBLEMS
ARE INVOLVED IN REISSUING
SOCIAL SECURITY CARDS

Several logistical problems are associated with reissuing 200 million social security cards. We believe these problems, combined with the anticipated cost, make reissuance of existing cards impractical. For SSA to reissue over 200 million social security cards, one of its most difficult tasks may be to devise and implement a plan by which to contact all current social security cardholders. This could include acquiring the current resident address of millions of social security cardholders, since SSA does not maintain current mailing addresses of cardholders--it does not need to for SSA program purposes--except those who are active social security beneficiaries.

SSA has identified the following issues related to administrative and logistical problems that we believe should be considered and addressed if reissuance is ever attempted:

- A realistic time frame for reissuance would have to be developed.
- Legislation would probably be needed requiring all current cardholders to replace their cards. Many people will not want to participate voluntarily because of the inconvenience and belief that the new card would be another step toward a national identity document.

- Efficient methods would be needed for obtaining current addresses of cardholders and for contacting the cardholders both inside and outside the United States. A substantial number will probably be unlocatable.
- An assessment would have to be made of personnel requirements, additional field office space, and expanded office hours to accommodate the workload associated with the reissuance. Personnel, office space, and work-hours would probably have to be increased.
- Other Federal, State, and local agencies involved in providing documentary evidence of identity would have to cooperate with SSA. Many State and local bureaus of vital statistics would probably have to be contacted regarding birth records.
- A means would have to be developed for identifying potential claims area impact regarding over- and underpayments, beneficiaries no longer entitled, denied claimants now entitled, earnings discrepancies, and benefit fraud.
- Procedures would have to be developed to deal with fraudulent card requests, since many allegations would probably be made that the old card had been lost or stolen.
- Enforcement activities would be needed to detect false documents and to investigate and prosecute fraudulent users of SSNs to ensure continued integrity of the new cards.
- SSA would need procedures for accounting for all old cards turned in, new cards issued, and card material used.
- SSA would have to recover and destroy cards after the cardholder dies.

CHAPTER 4CONCLUSIONS, RECOMMENDATIONS, AND AGENCY COMMENTSCONCLUSIONS

As the uses of the SSN have increased, so have the opportunities for misuse. In our view, it seems unlikely that cost-effective measures can be devised that will defeat all those determined to commit fraud. However, measures can be taken that will raise the risk of detection to the point that the casual or less committed misusers are deterred. We believe that additional improvements can be made in the SSN system to deter SSN misusers, and such improvements would be more beneficial than reissuing social security cards.

Reissuance of the card will not solve the problems associated with unauthorized employment of undocumented aliens, public and private benefit program fraud, or any other misuse, without (1) appropriate legislation dealing with the problems, (2) cooperation from other entities, and (3) adequate validation of the records on which SSNs are based.

Furthermore, we believe SSA is relying on documents that are often weak links in the identification chain. A birth certificate that appears genuine can be fraudulently obtained with relative ease from many States and once obtained it can be used to get other identification documents. SSA has no control over the issuance of these identification documents; therefore, without tighter State controls, individuals may continue to obtain SSNs with fraudulently obtained identification documents.

RECOMMENDATION TO THE CONGRESS

We recommend that the Congress enact legislation similar that proposed, making it a felony to fraudulently obtain or use one or more SSNs or to alter, reproduce, counterfeit, buy, or sell the SSN or card.

RECOMMENDATIONS TO THE
SECRETARY OF HHS

We recommend that the Secretary direct the Commissioner of Social Security to further strengthen the integrity of the SSN system by

- providing training to social security field office personnel to enable them to more readily detect fraudulent evidentiary documents submitted with SSN applications,
- placing the SSN application forms and cards under tighter controls, and
- flagging identified fraudulently obtained SSNs currently in the system for SSA and other agency uses.

Additionally, SSA should encourage the States to tighten their controls over vital statistics records since State programs can be adversely affected by SSN misuse.

AGENCY COMMENTS

HHS tentatively agreed with our recommendations and indicated that corrective actions are underway. HHS' comments are included as appendix II.

CHAPTER 5OBJECTIVES, SCOPE, AND METHODOLOGY

We reviewed the history and development of the SSN and card as reported by various committees, commissions, and task forces appointed over the years to study problems related to the issuance and use of the numbers. We also reviewed the Federal laws, regulations, reports, congressional hearings, proposed legislation, procedures, and instructions relating to issuance and use of the numbers and cards.

Our review objectives focused on the (1) problems associated with using social security numbers and cards as identifiers in both the public and private sectors and the problems associated with number and card misuse, (2) reasons for issuing redesigned social security cards and the problems associated with such issuance, and (3) appropriateness of using social security trust funds to pay for reissuing the cards. We also examined numerous records, documents, and reports relating to misuse of SSNs and use of false identity documents to obtain the numbers.

We made our review at SSA headquarters in Baltimore, Maryland, and at 20 SSA field offices in nine States. During the review, we discussed the procedures used in issuing the number and card with SSA headquarters and field personnel and observed the application process at several field offices.

In addition, we contacted officials of the following agencies and obtained their comments on the use of the SSN and card.

FEDERAL

--INS.

--Internal Revenue Service.

--Department of Labor.

--Department of Transportation.

--U.S. Department of Agriculture.

--HHS' Office of Inspector General, Division of Investigations.

We also visited the El Paso, Texas, Intelligence Center (Federal), Fraudulent Documents Section, and the INS Alien Documentation, Identification, and Telecommunication card production facilities in Arlington, Texas.

STATE

We contacted officials of the State Bureau of Vital Records/Statistics in seven States to determine how birth certificates are issued and to get some ideas as to the extent to which they may be falsely obtained and used as evidentiary documents by persons applying for SSNs. We also contacted officials in the following State agencies:

- Texas Department of Human Resources.
- Texas Employment Commission.
- Texas Department of Public Safety.
- Oklahoma Department of Public Safety.
- Mississippi Department of Public Safety.
- Texas Department of Parks and Wildlife.

LOCAL

We contacted officials in the vital records offices of both the city and county of Dallas, Texas. We also contacted officials in the personnel offices of the city of Dallas and the Dallas Housing Authority.

We contacted 5 educational institutions, 7 financial institutions, 11 private employers, and 2 credit bureaus. We also reviewed data from our survey of SSN misuse conducted in 1977 and 1978 and have used some of these data in this report. The survey contained information from SSA officials (at headquarters and in San Francisco and Los Angeles), the Internal Revenue Service, INS, the U.S. Postal Service, the National Bureau of Standards, and the Los Angeles County Public Social Services Department.

APPENDIX I

APPENDIX I

ROBERT M. HENRIKSON, MAJOR, CHAIRMAN

DAVID BAILEY, MAJ. GEN.
 ROBERT E. BROWN, JR., MAJ. GEN.
 JAMES E. GILBERT, MAJ. GEN.
 ROBERT M. HENRIKSON, MAJ. GEN.
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 ROBERT E. HENRIKSON, MAJ. GEN.

United States Senate

COMMITTEE ON THE JUDICIARY
 WASHINGTON, D.C. 20510

June 7, 1979

Honorable Elmer B. Staats
 Comptroller General
 General Accounting Office
 Washington, D. C. 20548

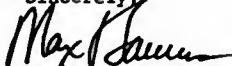
Dear Mr. Staats:

On April 26, 1979, I requested your office to investigate the forging or counterfeiting of Social Security cards, inside and outside the Social Security Administration, and the acquiring of Social Security numbers under false pretenses. In this connection, I was requesting answers to certain specific questions.

During various meetings with members of your staff I have become concerned about the widespread use of the card as an identifier. Further, I believe that many members of the Congress do not realize the problems associated with such use of the card. I understand the Social Security Administration is considering reissuing the cards and has estimated that it would cost between \$400 and \$850 million dollars to reissue them on forgery proof paper, during the next few years, beginning in 1980.

In view of the above, I would like to revise my original request and ask that your office review the problems associated with the use of Social Security cards as an identifier in both the Federal and private sectors; an evaluation of why the trust funds should be used to pay for the cost of reissuing the cards; and whether reissuing these cards will correct the problems.

Sincerely



Max Baucus, Chairman
 Subcommittee on Limitations of
 Contracted and Delegated Authority

APPENDIX II

APPENDIX II



DEPARTMENT OF HEALTH & HUMAN SERVICES

Office of Inspector General

Washington, D.C. 20201

14 NOV 1980

Mr. Gregory J. Ahart
Director, Human Resources
Division
United States General
Accounting Office
Washington, D.C. 20548

Dear Mr. Ahart:

The Secretary asked that I respond to your request for our comments on your draft report entitled, "Reissuing Tamper-Resistant Social Security Cards Will Not Eliminate the Increasing Misuse of Social Security Numbers." The enclosed comments represent the tentative position of the Department and are subject to reevaluation when the final version of this report is received.

We appreciate the opportunity to comment on this draft report before its publication.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Richard B. Lowe III".

Richard B. Lowe III
Inspector General (Designate)

Enclosure

COMMENTS OF THE DEPARTMENT OF HEALTH AND HUMAN SERVICES
ON THE GAO DRAFT REPORT,
"REISSUING TAMPER-RESISTANT SOCIAL SECURITY CARDS WILL NOT
ELIMINATE THE INCREASING MISUSE OF SOCIAL SECURITY NUMBERS," DATED
OCTOBER 3, 1980

GAO Recommendation

That the Secretary direct the Commissioner of Social Security to:

--Provide training to Social Security field office personnel to enable them to more readily detect fraudulent evidentiary documents submitted with social security number applications.

Department Comment

We agree that additional field training is needed on recognizing and evaluating evidentiary documents and we are actively evaluating how best to provide it.

GAO Recommendation

--Place SSN application forms and cards under tighter controls.

Department Comment

We agree. Action is being taken to strengthen controls over blank social security number (SSN) cards, and we will examine ways to place SSN application forms under tighter controls as well. All social security offices that handle SSN cards are in the process of implementing written security plans to control SSN card stock. In addition, blank SSN cards are no longer being shipped through the regular mail as they were at the time of GAO's review; greater control is provided by having the cards transmitted by private carrier to the receiving offices and requiring those offices to acknowledge receipt.

GAO Recommendation

--Flag identified fraudulently obtained SSNs currently in the system for SSA and other agency uses.

Department Comment

We agree. We plan to place a special indicator on all SSN records that are identified as involving possible fraud or questionable identity. A draft of the detailed systems proposal will be circulated for internal review within the next few weeks, and the special indicator is scheduled to be implemented during 1981.

APPENDIX II

APPENDIX II

GAO Recommendation

--Encourage the States to tighten their controls over vital statistics records since State programs can be adversely affected by social security number misuse.

Department Comment

We agree. We have begun sharing with State and local vital statistics agencies the information we turn up on the counterfeiting or other falsification of their documents and we believe this will help promote tighter controls over records at these agencies.

APPENDIX III

APPENDIX III

SSN USES BY PUBLIC AND PRIVATE ENTITIES

1. Several States use the SSN as one of the identifiers or authenticators in a cooperative, data-sharing network which is linked with the Federal Bureau of Investigation National Crime Information Center.
2. The National Driver's Register of the U.S. Department of Transportation uses the SSN to match records and inquiries for participating States.
3. About 70 percent of the States use the SSN for driver's licensing purposes.
4. Two States--Florida and Utah--use the SSN for statewide, educational recordkeeping systems for high school students.
5. One State requires an SSN to obtain a hunting or fishing license.
6. The SSN is also used in such State systems as vendor identification, capitalized property, project management, and budgeting and tracking.
7. Students may have to furnish SSNs when applying to take "college board" admission tests.
8. Many colleges and universities use the SSN for student admission and recordkeeping.
9. Many credit bureaus use the SSN in their data banks as an identifier or authenticator.
10. Many employers use the SSN for employee recordkeeping. In addition, the SSN may be required to
 - attend a meeting or social function at the White House,
 - join the Chamber of Commerce or Jaycees,
 - take out an insurance policy,
 - file an insurance claim,
 - obtain benefits from an estate or trust,

APPENDIX III

APPENDIX III

- obtain a home mortgage or loan,
- check into a hospital,
- purchase and obtain title to an automobile,
- register to vote,
- install a telephone,
- argue a case before the Supreme Court,
- contribute to charitable organizations through payroll deductions,
- register a motor vehicle,
- obtain a library card, or
- give blood.

SSNs have also been obtained for at least one animal. Waterhole Ike--the syndicated, beer-guzzling pig--has SSN 530-80-4623. However, this number was obtained before SSA began requiring documentary evidence of identity.

Many people who purchased wallets containing a sample social security account number card assumed the number as their own personal account number. Account number 078-05-1120 was the first of many such numbers now referred to as "pocket-book" numbers. It first appeared on a sample account number card contained in wallets sold nationwide in 1938. Since then, it has been reported thousands of times on employer's quarterly reports and many times on taxpayer returns.

APPENDIX IV

APPENDIX IV

EXAMPLES OF SSN MISUSE

1. One individual filed 104 income tax returns for \$198,801 in refunds using valid names and SSNs. The individual obtained this information by posing as an Internal Revenue Service agent checking business records for different restaurant chains.
2. One individual filed 35 income tax returns for about \$51,000 in refunds. The individual used valid names and SSNs for getting the taxpayer's refund.
3. One individual filed 882 fictitious income tax returns claiming \$1.6 million in refunds. This individual received about \$2,000 before the scheme was discovered.
4. One individual, using fictitious SSNs, filed 153 income tax returns claiming \$131,000 in refunds.
5. One individual filed 18 fraudulent income tax returns claiming refunds. The names and SSNs used were taken from tax returns that he had prepared.
6. One income tax scheme involved 26 refunds valued at \$20,600. Fictitious names and SSNs were used.
7. One income tax refund scheme involved several hundred fictitious returns. The investigation revealed that many SSN application forms had been filled out and were ready to be sent in. The scheme avoided the need for evidentiary documentation by making each of the imaginary SSN applicants under 18 years of age.
8. A former Government agent who worked part time at a bank used names and SSNs of the bank's customers to file false income tax refund claims.
9. One individual received \$12,000 in social security disability payments under one SSN for 4 years while working and reporting withholding taxes under the same number. She was caught when the computer printouts indicated payments to the same number that withholding taxes were being reported on.
10. A couple obtained birth and death records of several deceased infants and children to create a dozen false

APPENDIX IV

APPENDIX IV

identities. This couple also obtained social security cards of six deceased persons and numerous credit cards and driver's licenses. They then used the false identities to get loans.

11. One individual was convicted of receiving fraudulent unemployment payments from five different offices by claiming to be five different people. The individual used a different SSN for each identity, knowing that unemployment check pickup times were scheduled on the basis of the last two digits of the SSN.
12. An individual received about \$2,000 in social security benefits by filing false claim on a nonexistent child. The individual had falsely obtained a birth certificate and an SSN to obtain increased benefits.
13. An individual sold social security cards to aliens for \$50 to \$150 each. He completed the SSN applications using fraudulent information and had the aliens sign them.
14. Several SSA employees have been involved in fraudulent SSN activities. One employee found out from SSA records who had died, then issued new cards in their names to illegal aliens. One employee put his own address into the computer so he could collect checks of deceased recipients. One employee fabricated 14 different records and received \$55,000 in social security benefit payments.

(105093)



A REVIEW OF THE
SOCIAL SECURITY ADMINISTRATION
SOCIAL SECURITY NUMBER
ISSUANCE SYSTEM

FEBRUARY 1, 1981

OFFICE OF INSPECTOR GENERAL
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

EXECUTIVE SUMMARY

Between January and September, 1980, the Office of Inspector General, U.S. Department of Health and Human Services performed a review of the Social Security Administration social security number issuance system. We reviewed management practices and internal controls in operation at Social Security Administration headquarters in Baltimore, Maryland, and at a number of field locations; validity of applicant data; and the automated computer system. Specific findings follow.

Validation of Evidence

- Examination of a sample of applications for social security numbers for the last calendar quarter of 1979 showed that for the two cities studied, New York City and Washington, D.C., almost half of all persons of all ages obtaining social security numbers were aliens.
- Of the social security numbers issued to aliens, 20 percent were incorrectly coded; specifically, 12 percent of the aliens were issued work-related numbers when Immigration and Naturalization Service records did not indicate work authorization, and for 8 percent there were no records on file with the Immigration and Naturalization Service at all.

Management Review of Field Offices

- Regional differences in the level of fraud awareness were striking. The New York region was extremely aware of the potential vulnerabilities of the system and has taken many steps to correct the problems. District offices reviewed in the Philadelphia region evidenced a low awareness and consequently have put in few safeguards.
- Though the social security number area is increasingly more vulnerable to fraud and misuse it is an area that both through perception and design does not receive a proportionate share of district office time and resources.
- There is no effective central office guidance to the field on how to control fraud and misuse. In the void, district offices were setting up ad hoc procedures to deal with the problems.
- Social Security Administration's evidence certification process lacks controls, supervision, and document training resulting in erroneous issuance of social security numbers.

- District offices receive no feedback on applications sent in for processing and there is no case control or effective reconciliation in the process. District office involvement can be totally bypassed and fraudulent numbers issued with no systematic method of detection.
- In the regular issuance process, aside from a non-mandatory district office code identifier, there are no audit trails in the computer record which can be used for tracing transactions back to a specific location.

Social Security Number Issuance via Telecommunications

- Control over issuance of social security numbers via the telecommunication system varies from office to office. In nine percent of our sample no paper application form could be found to support issuance of the number. Additionally, the Social Security Administration took no actions to locate missing forms.
- The planned pilot project, District Office Direct Input, which will make extensive use of telecommunications will improve management of the enumeration process. However, it was not designed to deter or detect fraud and therefore is vulnerable to fraudulent activity.
- Because the telecommunication system lacks effective access controls, personal accountability, and a password system all enumeration activity which employs the telecommunication system is vulnerable to compromise.

Emergency Numbers

- The emergency social security number issuance process which permits immediate issuance of a social security number via the telephone, is being abused. Results show that in 24 percent of the cases examined social security numbers were issued for other than urgent need, many because of Congressional and management pressures. In 17 percent of the cases multiple numbers were issued because the applicant also requested a social security number through the normal system.

Blank Social Security Number Cards

- Though illegal aliens are known to have paid over \$100 for a blank social security number card, controls over the printing, distribution, and storage of blank social security number cards were found to be totally ineffective. Some field offices obtained huge

inventories when not needed; blank cards were found in empty desks; a stack of over a thousand blank social security number cards was found on the floor of an unlocked empty room after working hours.

The Automated System:

- There are weaknesses in the automated system in the edit processing, backup and recovery procedures, social security number printing process, audit trails, and management information.

In Nonwork Social Security Numbers

- Though social security numbers issued by the Social Security Administration for purposes unrelated to joining the workforce are not supposed to be used for work purposes the Social Security Administration has not provided any deterrents to their being used for gaining employment. Sampling indicates that over 24 percent of these numbers are being used for work purposes. Furthermore, the Social Security Administration has not provided its district offices with clear and concise instructions for issuing these numbers.

Recommendations

Recommendations have been provided to SSA and the Secretary for all areas with weaknesses in internal controls.

To SSA we recommend that priority be given to implementation of:

- Training programs
- Management and fraud control guidelines
- Supervisory reviews and statistically sampled quality assurance reviews
- Case control and reconciliation procedures
- Formal risk assessment of the District Office Direct Input pilot system

To the Secretary we recommend that he consider taking the following steps:

- Propose the formation of an inter-Departmental task force to address the impact on SSA and the social security trust funds of the emergence of the SSN as a universal identifier and HHS as the de facto National Enumeration Agency. The task force would have a secondary mission to recommend an alternative to issuing SSN's to aliens for nonwork purposes.
- Propose to Congress amendments to the Social Security Act to raise the maximum penalty for SSN fraud from \$1,000 to \$5,000 and to put a specific provision into the Act that would make it illegal to counterfeit, alter, buy, or sell social security numbers and/or cards.

PREFACE

In April 1978, the Social Security Administration issued new procedures for the processing of applications for social security numbers (SSN's). These require all applicants for original SSN's to provide evidence of age, identity, U.S. citizenship or alien status, and in addition require applicants age eighteen or older to undergo an in-person interview. SSA's stated objectives were to tighten up the assignment process, and to deter fraud and misuse of the number. These changes in operating policy had the effect of forcing an illegal alien to become bolder in the use of unlawful methods of obtaining an SSN. This unlawful activity is demonstrated by an increase in the Office of Inspector General (OIG) SSN fraud caseload since 1978.

The OIG, concerned by the rapid growth in SSN fraud and misuse, in 1979 initiated a study of the Social Security Administration SSN issuance system. This report describes the results of that study.

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ATTACHMENTS

- Attachment A - Workplan for OIG Audit/Review of the SSN Enumeration System
- Attachment B - SSN Enumeration Review of SSA District/ Branch Offices
- Attachment C - Audit of the SSA's Security Procedures to Detect and Deter the Sale of Blank SSN Cards
- Attachment D - A Description of Computer Program Logic, Data Flow, and Assessment of Problems in the SSA Automated Enumeration System
- Attachment E - SSA's Comments on the OIG draft report

A Review of the
Social Security Administration
Social Security Number
Issuance System

1.0 BACKGROUND

Case 1 - Bribery

In 1979, a former Social Security District Office (DO) employee and eight accomplices were convicted for fraudulently processing over 1300 social security number (SSN) applications for non-permanent resident aliens. Over a three and a half year period, the employee received over \$25,000 in bribery money.

Case 2 - Counterfeit SSN Cards

In the winter of 1979, police arrested two men for breaking and entering. When police searched the getaway car, they found nearly 100 blank social security cards. The cards were found to be forgeries.

Case 3 - Counterfeit Proof-of-Citizenship Papers

In February 1977, officials at a Chicago DO noticed that a large number of individuals of Mexican extraction were using Texas birth certificates to apply for SSNs. After preliminary study indicated possible fraud, SSA selected and reviewed 1011 SSN's issued between January 1976, and September 1976, to person's showing Texas as place of birth on their application for SSN's. Of these, 51.7 percent could not be verified by the Texas Bureau of Vital Statistics and proved to be counterfeit Texas birth certificates.

Case 4 - Mail Fraud

On May 10, 1979, six persons were arrested for operating a business which processed thousands (estimates go as high as 70,000) of social security applications for illegal aliens. The SSN application forms (SSA Form SS-5) were printed by a private company, filled out for the aliens, and falsely coded and processed by an SSA employee outside of official SSA facilities. The applications were mailed directly to the SSA Data Operations Center in counterfeit franked Government envelopes. In return for services, the SSA employee accepted bribes. The cards were sold to illegal aliens from South America and Mexico for between \$15 and \$25 each.

Case 5 - Fraudulent Use of Telecommunication System and Bribery

In 1979, an SSA employee was sentenced to serve 18 months in prison for conspiracy and for attempting to bribe a fellow SSA employee. Using the telecommunications system, working with and taking bribes from a Boston attorney specializing in aliens, the SSA employee falsely certified that he had examined all necessary documents and fraudulently transmitted applications and obtained SSNs for illegal aliens. No trail of the input remained, as the employee destroyed all paper documentation after data was transmitted, and the computer system has no audit trail capabilities. The scheme continued for two and a half years until this employee was transferred to another SSA office. In order to continue his lucrative business, he attempted bribing a fellow employee. The bribe offer was reported.

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As of the last quarter of 1980, at least 72 active cases involving the same or similar practices are under investigation by the Office of Inspector General (OIG).

1.1 Common Threads and Weakness

In each of these compromises the SSA Social Security Number enumeration system issued a number which eventually provided de facto work authorization to unauthorized aliens. Some of these aliens were "undocumented"; i.e., had entered the U.S. illegally without going through Immigration and Naturalization Service (INS) clearance. Some were "documented"; i.e., had arrived legally, through INS clearance as visitors or with other temporary status but without INS authorization to work. The common factor for both alien groups is that they received de facto work authorization by illegally obtaining SSNs.

In each case some weaknesses in the enumeration system were exploited. Key elements are:

- compromise of lower-level employees
- compromise of a telecommunication system that is:
 - uncontrolled physically
 - unauditable
 - unsupervised
- access to uncontrolled forms
- insufficient quality control and management review
- insufficient separation of duties
- insufficient document training
- low awareness to fraud potential
- insufficient management information systems

Recognizing the serious weaknesses demonstrated by these and many similar OIG Office of Investigations (OI) cases dealing with SSNs, the Inspector General initiated a review of the entire SSA enumeration system. This paper describes the strategy, findings, and resultant recommendations emanating from that review.

The remainder of this report is divided into six sections as follows:

Section 2.0 presents our four-part study approach which used these strategies: management reviews; examination of a sample of the enumeration data base for evidence validation, examination of trends and practices with respect to nonwork-related SSN's, and review and analysis of the computerized process.

Section 3.0 presents the findings of the validation of evidence and a profile of enumeration applicants gleaned from our sample.

Section 4.0 presents results of our management reviews. Analysis of fraud awareness; evidence certification and document training; forms and mail control; expedite and emergency issuance procedures; District Office Direct Input; and printing, distribution and storage of blank SSN cards are presented.

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Section 5.0 provides the highlights from our review of the computer process. Recommendations are given for improvements in edit routines, back-up and recovery of masterfiles, SSN card printing, audit trails, and management information.

Section 6.0 deals with the problems of nonwork-related SSN's and the legislative dilemma of restricting SSN issuance versus increasing use of the number.

Section 7.0 provides concluding remarks.

1.2 SSA's Comments on this Report

OIG provided SSA with a draft of this report on November 3, 1980 and SSA responded on February 5, 1981. Their reactions to individual recommendations are summarized at appropriate points in the body of this report.

2.0 THE STUDY APPROACH

As originally planned, this review was to encompass operational and statistical reviews in ten cities with high alien populations. Study to date has examined two of these cities: New York City and Washington, D.C. Attachment A provides a detailed outline of all steps taken and planned. This section gives a summary of the key steps used to arrive at the findings and recommendation of this report.

Analysis of OI cases revealed a need for examination of:

- SSA policies, procedures and management methods used to control the enumeration process.
- The SSN data base to assess the extent of inaccurate proof-of-identity and citizenship/alien status data.
- The volume of applications for and misuse of nonwork SSNs.
- The computer process to assess its vulnerabilities to fraud and its deterrent and detection capabilities.

To accomplish these, the following steps were taken:

- Validation of Evidence

To obtain an original SSN to be used for work purposes, the applicant is required to provide proof of identity, age and citizenship. If the applicant is not a U.S. citizen, INS documentation indicating the alien's authorization to work must be shown. After conducting necessary interviews and examination and verification of all necessary documents, the DO employee annotates the application form (SS-5) with the date, list of documents reviewed, reviewing employee's signature and title.

Many OI cases involve either falsified evidence or false allegations by DO employees to having seen adequate INS documentation. Because this appeared to be one of the weakest points in the process, a sample was extracted from the social security number data base and all information was validated in order to ascertain the percentage of incorrectly coded applications; i.e., the level of client misrepresentation or employee error involved in processing identity proofs. To validate evidence shown on the SS-5, birth records were checked against records in the State shown as place of birth on the SS-5s. For all foreign born clients, work authorization status was validated by examining INS record systems.

The sample was extracted from all applications for SSN's made in New York and Washington, D.C. for the period September 1, 1979 through December 31, 1979.

- Management Reviews

In order to assess policy, procedural, and management weaknesses, the study team conducted a series of management reviews in district and branch offices in New York, New York and Washington, D.C.; the data operation centers in Wilkes Barre, Pennsylvania and Albuquerque, New Mexico; the Laurel, Maryland teleservice center; and at SSA's headquarters in Baltimore, Maryland. We examined:

- client application and interview procedures
- case control and management processes
- data transmission and remote data entry
- data storage/retrieval
- blank forms control for application forms and SSN cards
- SSN card printing, inventory control, storage and mailing

All reviews and interviews performed for this study were done during the period January through September 1980.

- Trends Pertaining to Nonwork SSN's

In addition to SSNs issued for work purposes, SSA has since 1974 issued a second class of numbers for nonwork purposes. These are issued to visitors and other temporary resident aliens who are not permitted to work in the U.S., but who need an SSN for "other purposes" (including drivers licenses, bank accounts, etc.).

Aside from a work or nonwork indicator in the applicant's computer record, the SSN cards and numbers are identical for both groups. Each is issued a standard 9-digit number printed on a standard SSN card. There is no differentiating information printed on the card. As such, aliens not authorized to work can pass off nonwork SSNs to employers as regular SSNs.

To assess the extent of usage of nonwork SSN's, we obtained a trend of the change in annual volumes of nonwork SSN's issued over the period 1975 through 1979. In order to assess the extent of misuse of these numbers, computerized Summary Earnings Records for a one year period were read to determine the percentage of individuals with nonwork SSN's for whom earnings have been recorded. The year used was 1977.

- The Automated Process

The logic in computer programs that automatically determine the validity and accuracy of the application, generate the number, create the record, and print the resulting SSN cards were examined in detail. The objectives were to assess the inherent vulnerabilities to fraudulent manipulation and the potential for providing management tools for fraud prevention and accountability. This part of the study was performed in conjunction with SSA personnel as part of SSA's risk assessment of the enumeration system.

3.0 VALIDATION OF EVIDENCE

Examination of a sample of applications and trends from the social security number data base yield the following profiles about the alien client population.

With regard to work-related SSN's:

- Projections indicate that for the period of this review in New York City and Washington, D.C. almost one half of all SSN's issued to persons of all ages are issued to aliens.
- Of these SSN's issued to aliens, 20 percent are incorrectly coded; i.e., these persons were issued work-related numbers when INS records do not indicate work authorization for them (12 percent); or there are no INS records for them at all (8 percent).

With regard to nonwork SSN's:

- The annual rate of issuance of nonwork SSN's has increased 1300 percent since adoption by SSA of the policy to issue numbers to aliens who are not authorized to work, while the number of regular original SSN issuances has remained constant or has even decreased.
- For the year 1977, almost one quarter of all those issued nonwork SSN's had earnings posted to their Summary Earnings Records.

4.0 MANAGEMENT REVIEW FINDINGS AND RECOMMENDATIONS

General

The district office role in enumeration is broadly that of receipt and review of SSN applications, examination of evidence submitted and transmission of application (or application data) to another SSA component for processing. The SSN function is a relatively small portion of the total DO activity. The total DO activity also includes processing all applications and subsequent recontacts for benefits from Old Age, Survivors and Disability Insurance, and Supplemental Security Income programs. This relative place of enumeration is apparent both from the staffing of the function and the small amount of time devoted to each SSN action, although

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both of these factors have been affected upward by the increased interview and evidentiary requirements.

Enumeration actions are generally handled by a clerical employee (with interviews of applicants 18 years of age or older by higher level employees) in or around the reception area, where they are handled as "in and out" actions, with very little recontact. Currently, DOs do not report enumeration activity on their work measurement system and, in almost every office visited, managers state they receive no workload credit for the enumeration actions they process. Therefore, although the SSN area is increasingly vulnerable to fraud and misuse, it is an area that, both through perception and design, does not receive a proportionate share of the DO time and resources.

In general, the review teams found that SSA field offices are fulfilling their basic role in enumeration (i.e., intake, certification, and transmission) and are following the procedural guidelines set out for them in the Enumeration Manual (the DO's primary operating reference for enumeration). Other than these procedural guidelines, however, SSA's central office has provided little in the way of management systems, guidance or technical assistance to help DOs counter the increasing pressures on or control of the apparent weaknesses in the SSN process. In the absence of central office guidance, field offices and regions are employing many ad hoc practices to manage the process and to

deal with the problem of controlling fraud and misuse.

If one general finding can be summarized from the various areas of concern, it is the lack of central office involvement.

Attachment B provides a detailed report on DO management review findings. This section provides the highlights of these findings and recommendations which compliment and/or augment the sampling and statistical studies and which reflect vulnerabilities which were activated in the case studies described in Section I.

4.1 Fraud Awareness

This review observed the level of fraud awareness in DOs representing two regions: New York and Philadelphia. Though differences existed between DOs in the same region, difference between regions was startling.

The New York DOs treated fraud and fraud potential as a matter of major concern. The New York Regional Security Officer has mounted a major campaign to alert DOs in the region to SSN fraud and methods of controlling it. Letters and memorandums written by the Regional Commissioner and DO managers indicate an extensive effort is underway to control possible enumeration fraud. In addition, interviews with first-line supervisors and account number clerks substantiated the serious involvement the entire region has with fraud control. Not all DOs have applied all the regional procedures

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but all the procedures were evident across the DOs visited.

Washington, D.C. DO's, however, were lacking in information and procedures to deal with fraudulent applications. DO personnel had only a vague idea of the potential problem. We found no regional letters nor special procedures dealing with fraud. Instead, the DO's relied on the Enumeration Manual section on Violations and Fraud, which describes in general terms reports of fraudulent activity and some examples of known fraudulent documents such as birth and baptismal certificates.

Central Office must increase its efforts to make Regional Offices and DOs aware of the type and extent of SSN frauds. Though there are sporadic examples of attempts to deal with the problem, nationwide awareness and procedures for fraud control are ineffective and insufficient.

Recommendations

We recommend that SSA:

- Institute an information network to all regional and field offices to raise the level of fraud awareness nationwide.
- Coordinate and disseminate regional efforts in fraud control so that locally effective means of control can be shared by all field offices.

SSA's Response

Though SSA agrees that additional instructions and information are needed concerning fraud awareness, they do not plan to specifically institute either of our recommendations. Instead they are planning to include SSN fraud information in a more general fraud awareness program and in a series of enumeration training packages.

4.2 Evidence Certification and Document Training

A major factor in the apparent increase in alien's attempts to fraudulently obtain SSN's through bribery and other means is the relatively new evidentiary requirements. Before November 1971, SSA issued SSN's based on applicants' unverified allegations of identity. The 1972 amendments to the Social Security Act added requirements that all applicants for SSNs submit evidence of age, identity, and citizenship or alien status. By May 1978 SSA had put these requirements into effect for all SSN applications.

With implementation of uniform requirements, fewer loopholes existed through which aliens could obtain SSNs. Consequently, as described above, most OI cases deal in one way or another with fraudulently circumventing evidentiary requirements.

This review found that SSA's evidence certification process lacks controls, supervision, and adequate document training.

Bribery and other fraudulent acts are possible because:

- Only one employee, the account number clerk, usually sees the evidence.
- The evidence is not retained or photocopied.
- There are few supervisory reviews and no quality assurance programs to systematically check on the accuracy of SSN applications and authenticity of required documentation. (The only consistent review of SSN applications is done in the Data Operation Center. They check for missing data and certification before the information on the application is keyed into the automated system).
- SSA provides no across-the-board training in (a) recognizing counterfeit evidentiary documentation or (b) INS rules and regulations with regard to work authorization. Those that have been trained are not allowed to disseminate their training to others.

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Symptomatic of the void in training are responses on this issue obtained during this review. The majority of account number clerks interviewed said that they judged authenticity by looking for a raised seal on the document, and many indicated that they did not know whether the documents reviewed were genuine or counterfeit. The overwhelming majority made it clear that they needed training in this area.

As long as these weaknesses exist in SSA policy and procedures, illegal aliens and others wishing to establish false identity will be able to compromise the enumeration system.

Recommendations

We recommend that:

- SSA embark on an intensive nationwide program of training district office personnel involved in enumeration to recognize and be familiar with all types of evidentiary documentation -- both valid and invalid -- and to understand and be conversant with INS rules and regulations with respect to work authorization.
- SSA institute a quality assurance program for enumeration to systematically and periodically validate SSN applications and accompanying evidentiary documentation.
- SSA establish quality standards for SSN applications and issue guidelines to field management for quality control of the enumeration process to review for both fraud and accuracy considerations.
- SSA institute separation of duties where practical in the enumeration process to ensure that there is at a minimum either in-line review of the application and supporting documents or end-of-line verification by an independent process.

SSA's Response

SSA says that they are working with INS to develop procedures for the field which deal with authenticating INS documents. They do not specifically address training or procedures on INS rules on work authorization. SSA believes that training on other types of evidence (e.g., birth records) is best handled at the regional and local level.

SSA agrees that a comprehensive QA system is needed. Although they have implemented and are expanding an end-of-line sample to measure

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processing time and accuracy, they do not plan to implement a quality review of the evidentiary process until a special study determines the feasibility and cost of such an ongoing process.

SSA states that statistics from the end-of-line sample review will be used to set accuracy standards. SSA does not address the recommendation to issue guidelines to field management for fraud and accuracy reviews.

SSA states that resource constraints rule out separation of duties in the SSN application process.

4.3 Forms and Mail Control

Section 1 describes a mail fraud case made possible because of access to SSN application forms and the absence of reconciliation in the mail process, i.e., accounting by transmitter and receiver for all applications sent from one and received by the other. In this case, an operation was set up in a warehouse which fraudulently processed and obtained SSN's for approximately 70,000 bogus applications, completely bypassing any and all DO involvement.

This review found that some of the factors that made the mail fraud case possible are:

- SSA's application forms, SS-5, are easily accessible to the public through post offices, banks, and other establishments. There is no SSA central office policy to restrict access to application forms.
- Although the mail process forms a *de facto* link to the automated SSN issuance process, SSA does not require reconciliation or accounting for items mailed from the DO and received by the Data Operation Center (DOC). This sets up a situation in which the DOC can receive SSN applications from anywhere and will, after editing the data for accuracy, input them to the automated process.
- Except in the case of expedite transactions, SSA's computer system will accept for processing SS-5's that do not have the originating DO identifier number on them.

Recommendations

We recommend that SSA:

- Institute a control system so that each application when transmitted from the DO to the first central processing point can be accounted for. It should, at a minimum, uniquely identify SSN applications as originating in a specific DO, include volume counts per shipment, and provide feedback to the DO on the number of items received.
- Limit accessibility of SS-5 application forms by withdrawing them from non-SSA organizations and components.
- Alter the automated system so that it will only accept for processing applications that include a valid District Office Code, rejecting all applications not containing valid DO codes.

SSA's Response

SSA states they agree that a case control system is needed and are exploring ways to achieve this in the current expedite process. SSA does not address case control in the mail process.

SSA states they will also look into ways to limit access to SSN application forms, but cites service to the public as the overriding qualification to implementing this recommendation.

SSA does not agree fully that an SSN application should be rejected in DODI if a valid DO code is not present. They state they will study the problem for impact on processing in the future process. SSA rejects flatly making this change in the current process as they consider it infeasible. The reasons for considering it infeasible in the current system are not explained.

4.4 SSN Issuance via the Telecommunication System

Case 5, section 1 was made possible by penetrating vulnerabilities in the expedite SSN issuance process. This process employs the telecommunication system. District Office Direct Input (DODI) like expedite will also make extensive use of telecommunications for processing social security number applications. It is a system now in the development stage, scheduled for implementation on a pilot basis in early 1981.

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Because we believe that if successful DODI, or some modified form of it, is the "wave of the future," we have included a review of its functional and design specifications.

4.4.1 Expedite

Expedite service is provided to any applicant who has an urgent or critical need for a social security number. It provides direct communication between DO's and central office in Baltimore through use of the telecommunication system. All the usual steps taken in the DO for processing a regular SSN application are taken with the expedited application -- with two important exceptions:

- (1) The number can be issued through the system before central control of an SS-5 completed with all necessary certification and data.
- (2) The data is transmitted via the telecommunication system or telephone directly from the DO to central office in Baltimore. Control and editing steps usually taken in the Data Operations Center (DOC) are bypassed until after the number is issued. Upon assignment of an SSN the DO is notified of this number. At that point the DO annotates the SS-5 with the SSN and sends the completed form to the DOC where the bypassed steps are now taken. These include:
 - Independent review of SS-5 for completeness
 - Assignment of a control number to be carried on the automated record as well as stamped on the SS-5
 - Microfilming of the SS-5 with control number affixed
 - Keying and transmission of the SS-5 data to Baltimore for input to the computerized data base

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This review found the following factors which allowed for the compromise described in Section 1:

- Though SSA procedures dictate that DO management approve each expedite request, application of this policy is lax and varied among DO's visited.
- Sample analysis showed that almost 9 percent of established SSNs had no SS-5 on record, an indication of weakness in control.
- Though the computer software contains the key elements for developing it, at present there are no effective mechanisms for reconciliation of authorized expedite applications from specific DO's with traffic received at central office. At present the DO code is not even checked for validity, only for format. This makes the one reconciliation tool now being used in the expedite process ineffective.
- There are no mechanisms or reports built into the computer process to:
 - alert management to unauthorized use of the expedite process
 - alert DO's of delinquent SS-5's^{1/}
 - generate management information for the DO's to provide data on the volume of expedite transactions
 - reconcile authorized expedite applications from specific DO's with traffic received at central office

^{1/}Section 460A of the Enumeration Manual erroneously states that the system will generate followup requests for tardy SS-5's: "If BDP does not receive the supporting document within two weeks after the teletype notice goes out, a follow-up request will be sent to the DO." Our review of the automated process disclosed that no such alert exists and though tentatively planned has not been either developed or scheduled for development.

Recommendations

We recommend that:

- SSA develop effective computer follow-up for all outstanding SSN applications
- SSA develop a Management Information System report to provide DO management with total volumes of expedite usage
- SSA develop an automated mechanism for reconciliation of expedite traffic received at central office with authorized expedite applications sent from DO's.

SSA's Response

SSA states that while the future process will contain stringent controls, they do not plan to add the recommended follow-up and reconciliation controls to the current expedite process. They are, however, developing a SSN management information report for the field office that will include expedite cases processed.

4.4.2 District Office Direct Input (DODI)

At present, only about ten percent of all SSN applications are handled with expedite processing. However, SSA is planning to expand the role of telecommunications in the enumeration process with the pilot project, District Office Direct Input (DODI), scheduled to become operational in the first quarter of 1981.

The major objective of DODI is a decrease in the length of time necessary to process an application. At this point estimates are that the new system will take 2 to 3 days from DO transmission to number assignment, as opposed to the current average of 2 to 3 weeks. To accomplish this goal DODI will rely on electronic transmission of all SSN application data from the DO directly to the central computer facility in Baltimore. As with expedite, manual

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processing involved in mailing, sorting, and microfilming of the SS-5 will be removed to the back-end of the process, i.e., after the number has been issued. Basic DO functions of receipt, review, interview and evidence certification will not change from present practice.

As can be seen, with respect to data flow, DODI will have some of the same vulnerabilities to fraudulent manipulation present in the expedite system. Staff responsible for DODI's design admit in interviews that this system was not designed with fraud controls in mind.

From our review of the Updated Functional Requirements published June 25, 1980 by the Enumeration Records and Process Branch, Office of Enumeration and Earnings Records, Office of Operational Policies and Procedures, and the System Design Specifications for DODI prepared by the Systems Management and Modification Branch, Office of Systems Development, Office of Systems, July 18, 1980, the following vulnerabilities, if not corrected, will be present in the DODI system:

- Though DODI provides a significant increase in effective control over the case during its processing, there is no effective case control system to deter fraudulent input of an SSN application. As there will be no access control or personal accountability with respect to using telecommunication terminals (see the next section), the only effective controls are those that employ reconciliation of transactions reaching the central office, with paper documents generated in the DO, i.e., the SS-5 application. At present there are no reconciliation mechanisms for reporting back to the DO on all applications processed by the computer system.

- The completion of DO processing is accomplished in DODI by the DO sending the SS-5 to the DOC 21 days after transmission of the original data to the computer system. The DOC microfilms and affixes a microfilm reference number (MRN) and then transmits the MRN and other selected SS-5 data to the computer system. This is done to provide the automated data base record with the MRN. At this point, the record is cleared from the computerized pending file. However, if the computer system does not receive an MRN within 45 days, it will send an alert to the DOC for follow-up action. The assumption is that the problem rests in DOC processing. At this writing, procedures had not been finalized as to what the DOC would do if no SS-5 could be found for 45-day-alert cases. If, after 90 days an SS-5 has not been found for a transaction, and MRN not sent in, the record is purged from the pending file and put on a historical file. The important point to note here is that: Whether or not an SS-5 is ever received in the DOC the applicant will have been issued an SSN and card and a computer record will have been established for the individual.
- The only data element input to the computer system which can be used as an audit trail indicator is the district office code. Additionally, it is a key element in the DODI process as it is used to match the SS-5 with the pending computerized record. This 3-digit code is manually supplied as a data element transmitted to the system along with other data. The computer application system also uses the DO code. However, it does not rely on that input by the user. It generates its own by reading and converting the "hardware" address or routing indicator supplied by the terminal in the DO. DODI does not check to make sure that this hardware address and that supplied by the DO employee are identical. If an employee were intent on fraud he/she would probably not input the correct DO code, i.e., the one element in the system that can be used to trace back an application to the originating DO.

Since the DODI process will be implemented nationally if the pilot is successful, it is critical that vulnerabilities and control mechanisms needed to offset them be identified and addressed in the pilot project. We therefore recommend

that a formal risk assessment be done to evaluate operational security effectiveness and potential risks of improper SSN assignments in the DODI process. Findings of this study should result in security modifications to become operational when DODI is expanded past the original pilot project.

In addition to this long range proposal for improvement, the following changes should be made prior to implementation of the pilot project.

Recommendations

We recommend that:

- SSA develop a DODI weekly computer-generated report, to be sent to field office managers. The report should contain a list of all applications which have begun processing or have successfully generated SSN's from that office that week. This report would be useful for (a) reconciliation of all SS-5's and their status before shipment to the DOC, and (b) act as a device for detecting fraudulent and unauthorized input of enumeration applications.
- The alerts sent from DODI after 45 days be transmitted to the DO, not the DOC. Results of our review indicate that DOC processing is among the most efficient and accurate of all processing points in the enumeration system and that an unreceived SS-5 is more probably a DO error than a DOC error. To resolve missing SS-5's the DO manager could use the weekly reports proposed above.
- An edit be provided which would compare the district office code supplied by the user with that generated by converting a hardware address to a district office code. Where this edit is not successful the transaction should be rejected and a report sent to the Regional Security Officer. Alternatively the user should not supply the district office code. Only that generated by converting the hardware routing indicator address should be used. This would assure that each DODI transaction was traceable to the originating office. (This recommendation should be implemented along with our recommendation that

Alternate Mode be curtailed in use in the enumeration system (see next section).)

- SSA flag all records on SSA master files where the SSN is not supported by an SS-5 and generate a periodic report to be sent to the Office of Assessment containing a listing of these records. A suitable time would be when DODI purges these records from its pending file after the 90 day waiting period.
- SSA make provision for an alert to be generated whenever an attempt is made to post earnings or establish a claim against a flagged number.

SSA's Response

Though SSA indicates that they plan to put stringent controls into the future process, their responses to OIG proposals for strengthening DODI do not reflect a commitment to specific actions. The pilot will go "live" with few fraud deterrents in the system. Indicative of serious weaknesses in control in the DODI pilot is the lack of any automated restrictions on which terminals can input DODI SSN applications. Though only 48 offices in the Dallas Region are officially in the pilot, in fact, any terminal in any SSA district, branch, area director, tele-service center, or Regional Office NATIONWIDE can initiate DODI transactions.

SSA does not plan to perform a risk assessment of DODI. However, they are currently conducting an audit of the pilot. This will serve the same purpose as a risk analysis.

SSA plans to study the possibility of providing volume counts on a daily basis and upon request send the DO an itemized breakdown. However, the pilot will not contain any such reports.

SSA will review pilot project experience to assess whether the 45-day alerts should be redirected from the DOC to the DO. During the pilot the alerts will go to the DOC.

SSA has not clearly indicated whether or not they plan to implement a comparison of the hardware versus the user supplied DO code. They do not address a rejection of the transaction where the edit fails. The pilot will therefore not contain any deterrents to the user supplying either erroneous or false DO origin information.

SSA rejects as infeasible elimination of user supplied DO code, but does not provide rationale for this statement.

As described earlier, all records for which an application has not been received within 3 months are purged from the pending file and put on a historical file. SSA feels that this action makes the item a flagged record. SSA does not address our recommendation of flagging SSA master files, nor do they address our suggestion that lists of flagged records be sent to the Office of Assessment. To date, no procedures have been provided OIG on what specific steps will be taken to analyze the historical files for possible cases of fraud and misuse.

SSA agrees with the concept of our recommendation to establishing an alert system for earnings or claims on flagged SSN's. They will study ways of implementing this procedure.

4.4.3 Telecommunications

Even if expedite and DODI processes had controls, management information, reconciliation reports, and uniform strict adherence to procedure, compromise such as that described in Section 1 would still be possible because of the weaknesses in security design in the telecommunication system. The following are weaknesses which would require correction to effectively prevent expedite or DODI compromise.

- It is possible for anyone with knowledge and access to the telecommunication terminal to generate SSN requests through use of expedite or DODI.
- DO's do not restrict usage of the terminals. All DO employees have access to at least one terminal for the purpose of making queries. However, the software is not designed to restrict traffic to queries only.
- There are no passwords and no other mechanisms for ensuring personal accountability, transaction restrictions and audit trails of each expedite or DODI transaction.
- The Alternative Mode (Alt Mode) of operation allows a terminal user to change the routing information of a message so that the telecommunication system "thinks" that that message is coming from a different terminal.
- There are many terminals which can initiate expedite processing which are not in SSA district and branch offices. Additionally, one organization entirely outside of SSA has this capability. The Puerto Rico State Agency responsible for making disability determinations can initiate expedite processing.

In addition to the problems listed here, other weaknesses in the teleprocessing system have been identified in a memorandum from the New York Regional Commissioner to SSA Headquarters.

Though these can be exploited to fraudulently obtain SSNs, SSA has taken no action to correct them.

Recommendations

We recommend that the following additional actions be taken to safeguard against telecommunications vulnerabilities which allow for compromise in the enumeration systems:

- Develop a system of personal identification for transaction authorization that will be part of an automated history file for all enumeration transactions which originate from telecommunications terminals.
- Revise the system security matrix to restrict components and agencies other than SSA district and branch offices from originating enumeration transactions -- either DODI or expedite.
- Restrict users of the telecommunications system through both management directives in the DO and through use of a password system.
- Develop an automated audit trail to include a permanent record containing names of DO employees responsible for application intake as well as application data transmission.
- Develop a software mechanism to prohibit use of alternate mode in all enumeration transactions except through use of an automated management override.

SSA's Response

SSA agrees that more protections are needed in the telecommunication system. Their long-range plans will include personal accountability and audit trails for enumeration system transactions. However, SSA rejects these features for the near term. They do not as yet have these features in their cash benefit programs where the greatest risk and vulnerabilities to fraud exist.

Though SSA agrees in principle that the system security matrix should look out all but district and branch offices from originating enumeration transactions, they do not plan any such restrictions for the near term. As with most of their future projections, they do not provide any time frames as to when restrictions will be placed on enumeration traffic.

As a result of the OIG study, SSA is going to eliminate expedite capability from the Puerto Rico State Agency terminal.

SSA does not have a password system but is in the process of designing a "log-on, log-off" feature which will restrict and identify the terminal operator who unlocks the terminal in the morning and who locks it at night. Once the terminal is logged on, this feature, however, will not restrict or identify users during the day. It will not stop users from initiating unauthorized transactions during the period that the terminal is in operation, i.e., normal working hours.

SSA will study our suggestion to limit Alternative Mode telecommunication capability.

4.5 Emergency Social Security Number Issuance Process

In addition to the expedite process just described, SSA has another set of procedures for assignment of SSN's on an "immediate" basis. Emergency SSN's maintained by the Critical SSN Services Section, Office of Central Records Operations, are assigned over the telephone to requesting DO employees who then type up an SSN card and issue it to the applicant. Procedures require the DO to submit the SS-5 to the Critical SSN Service Section after obtaining the number over the telephone. This procedure was developed for urgent situations in which the applicant would encounter undue hardships such as inability to get a job, exclusion from military training programs, deprivation of hospitalization, food stamps, etc., due to lack of an SSN.

Because this process lacks substantiating paper documentation before SSN issuance, our review included an examination of internal controls in this system to assess their effectiveness in (a) assuring that SS-5's were submitted for all emergency SSN's issued and (b) that this process was used for urgent-need-cases only.

An examination and comparative study was made of log book entries, computer system printouts and paper documentation for emergency numbers issued during the period August 1978 through January 1980. We found that of the 500 cases reviewed:

- Emergency SSN's were issued for other than urgent need in 24 percent of the cases. Discussion with SSA personnel responsible for this process indicated that SSN's were issued because of: Congressional telephone requests for special handling of SSN applications even when no urgent need was identified; and supervisory (upper management) requests. On one occasion a supervisor obtained 13 emergency SSN's for which only the names of the individuals to whom the numbers were to be assigned was provided.
- SS-5's have not been received for 24 percent of the emergency numbers issued. In addition there was no indication that follow-up action was taken to obtain the missing SS-5's. In these cases the only documentation on file is that prepared by the Critical SSN Service Section based on data given via the telephone. In some instances complete identifying information such as place of birth or mother/father's name was not supplied.
- Seventeen percent of the cases showed multiple SSN assignments because of DO's insistence on receiving an emergency SSN even though an SSN had been requested through the normal process. This is attributed to an SS-5 already in the system at the time the emergency SSN is requested. Internal procedures state that if immediate issuance of an SSN is made and there is an SS-5 or prior expedite request already in process, a multiple number will result. The DO must determine if the immediate need for the SSN is great enough to justify any possible problems which multiple numbers can create for the applicant. The DO must also rely on the applicant to tell them of the second SSN when it is received in order to initiate a cross-reference action at central office. Our review indicates that in less than 20 percent of the cases the DO advised central office that an application was in the system. DO failure to advise that an application for SSN was already submitted contributed to the multiple SSN issuance problem.

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The ability of SSA management officials to obtain emergency SSN's without providing written justification destroys all control over the emergency SSN issuance process. It also opened up the process to abuse by the clerks who could assign an SSN to a friend or alien and annotate the log book that the request was made by SSA management. In like manner failure to obtain SS-5's, completed and signed by the applicant, nullifies any control over the process and increases the possibility of abuse by employees.

Recommendations

We recommend that:

- The Emergency SSN Issuance Process be utilized for emergency situations only and written justifications be provided for each SSN assigned. Congressional requests for special handling should be refused unless the request is a result of a constituent's complaints of excessive delays in receiving an SSN, or there is an urgent need.
- The Critical SSN Services Section perform periodic follow-up to assure that all SSN applications have been received.
- Management should ensure that all possible sources showing social security numbers issued are examined prior to issuance of a new SSN.
- Office of Assessment conduct periodic reviews of the emergency SSN issuance process to assure that it is not being used for purposes other than urgent-need and that proper controls are utilized.
- SSA develop detailed criteria defining "emergency" for inclusion in the operating instructions used by the Critical SSN Services Section.

SSA's Response

SSA disagrees with the recommendations for written justifications and restrictions on Congressional requests for emergency numbers because they believe that such restrictions curtail essential flexibility and

are warranted considering the small volume (about 300 for 1980) of these requests.

SSA agrees with the recommendations for periodic follow-up for applications and for ensuring that all SSN records are screened before issuance of a new SSN. SSA states that as a result of our review, improved procedures and controls have been implemented to address these weaknesses.

SSA agrees that a periodic quality review should be conducted to assure proper usage of the emergency SSN issuance process, but believes that such a review is best conducted by the Office of Central Records Operations management, rather than by the Office of Assessment.

SSA states they will review the operating instructions and revise them as necessary to add guidelines for deciding whether to issue emergency numbers. SSA does not plan, however, to add any detailed criteria which would reduce the flexibility or speed of the current process.

4.6 Controls Over Blank SSN Card Stock

Though this report does not include descriptions of specific cases involving theft of blank SSN cards, OI investigations cite blank SSN cards as having a "street value" of \$100 or more. An undocumented alien can type his name and a number on a blank card and use it to obtain employment. The SSN is an unverified "passport" to employment. No one checks to see if an SSN is valid and, if it is valid, if it belongs to the individual who has it.

Because of the high street value of these cards and their ultimate use for obtaining unauthorized employment, and possibly, benefits from Federally funded programs, this review included an examination of SSA's controls over the printing, shipping, storing, and distributing of blank SSN cards. The objective was to determine if security procedures were adequate to detect and deter the sale of blank SSN cards.

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Attachment C provides a detailed review of this subject; this section presents the highlights of our findings and recommendations.

This review showed that:

- SSA's contract with the printer does not allow for unannounced on-site inspection of the contractor's security procedures. SSA has no way of assessing the adequacy of safeguards taken by the contractor over the camera copy and negatives used to print cards or in actual printing procedures.
- Boxes of blank cards shipped from the contractor did not always contain the number of cards specified in the contract.
- Physical inventory of blank stock has not been taken since May 1978. At that time a reconciliation between the physical count of cards and the total recorded in the inventory control system did not agree and the control system was adjusted to balance the counts. Our inventory count in June 1980 showed 8 percent more cards in storage than recorded in the control system. This discrepancy is indicative of shipping errors and/or recording errors.
- The Supply Management Branch does not always retain shipping records. When a box of cards was lost there was no way of tracing it.
- Few field and central office components involved in the SSN card issuance process maintain control ledgers to identify the number of cards on hand, issued, or mutilated in processing. Only one location visited during this review could specifically identify the number of cards in their possession. If SSN cards are missing, the losses will usually go undetected.
- At central office, boxes of blank SSN cards were left in unsecured areas. Cards containing names and numbers were left unattended in open working areas after hours. Security over these cards is so poor that:
 - blank SSN cards were found in surplus desks sent to a warehouse for disposition
 - a stack of over a thousand blank cards was found lying on the floor, in an unlocked and

well lit area accessible to the public. One of the reviewers in this study removed 995 cards from this stack and stored them in the IG's safe for safekeeping. This area is still unlocked and accessible to the public, but blank SSN card stock has not been seen on the floor during additional visits to the area.

- Maximum order quantities did not reflect the usage pattern of the various components involved in the SSN issuance process. A shipment of six boxes of SSN cards was sent to a component which could not use this amount of cards in 10 years.

Recommendations

We recommend that:

- Future contracts for printing of cards contain a provision for an SSA representative on-site during the printing of SSN cards.
- When not in use, the SSA representative maintain the camera copy and negatives for printing SSN cards at SSA and in a secure container.
- To ensure accountability for blank stock, cards contain sequential numbers to be used for identification of missing cards and for use by DO's in accounting for individual cards on hand. (In Section 4 further discussion on serializing cards is provided.)
- All SSA components in possession of blank SSN card stock maintain inventory control ledgers to identify movement and use of cards on hand.
- Warehouse personnel conduct monthly inventories of all blank SSN card stock in storage.
- The Office of Assessment should conduct an annual physical inventory of blank SSN stock in storage in all components.
- SSA insure that employees that work with SSN cards lock them in secure areas when they are not being processed.
- SSA should improve control over documentation supporting the requisition, shipment, and return of blank SSN cards.

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- SSA should revise their requisition system to limit orders of blank SSN card stock to that which reflects usage patterns of each component.

SSA's Response

SSA states that they will explore having SSA representatives on-site during card printing. Alternatively, SSA is also considering adding full security requirements to the printing contract, although the costs of such requirements are high.

SSA agrees that the camera copy and negatives should be secured at SSA and will have the printing contract amended for this provision.

SSA also agrees with the recommendation for sequential numbering, although they cite the high cost of this control.

SSA states that all SSA components have developed and implemented security plans for SSN card stock, and that these plans include provisions such as inventory control ledgers, card lock-up, and more frequent physical inventories. SSA does not state whether these provisions are mandatory and/or are present in all plans.

SSA disagrees with recommendations for an annual physical audit of card stock in all offices because audit resources are not available. SSA also disagrees with the recommendation to limit orders of blank card stock to established usage patterns. They believe that this recommended control is not worth the extensive changes it would require in the requisition system.

5.0 THE AUTOMATED PROCESS

As mentioned earlier, logic of key computer programs was studied to assess vulnerabilities and strengths. This review found weaknesses in:

- Edit processing
- Backup and emergency recovery procedures
- SSN card printing process
- Audit trails
- Management Information Systems (MIS)

Attachment D provides a detailed technical description of the process, its weaknesses, and recommendations for improvement.

The major finding of this portion of the review is that the system lacks case control, audit trails and management information systems. Without these features it is not possible for OIG to investigate fraudulent activity, or for SSA to prudently manage and apportion resources, and assess quality and quantity of activity in the system. This type of information should be available at all levels of SSA's organization from district office management to Office of Systems staff. The building blocks for providing MIS are already in the programs; other features such as case control and audit trails would require some enhancements to the system.

Other key findings follow.

5.1 The Edit Routines

In the daily computer process, ESSRIS, step one is the routine which edits all SS-5 data -- most of which are transmitted to Baltimore from the Data Operations Centers.

Major deficiencies include:

- The edit program cannot distinguish if an edit tape file was processed on a previous day and therefore might reprocess a set of applications which can result in clients receiving two different SSN's.
- The edit program edits the DO code field for all expedite transactions to ensure that it has been filled in. It does not edit for a valid DO code. This can result in lost or misrouted expedite notification. No DO field edit is done for regular SSN applications.

Recommendations

We recommend that:

- The edit program should ensure that no tape is accidentally or purposely processed more than once. A simple expedient can be employed that calls for a processed tape to be rewound, and 'user' data that specifies that the reel has been processed to be written on the header label.^{1/} The edit program should also be modified to check the user data of the header label prior to reading the data records.
- The edit program should be refined to include a check on valid DO Code, not just a filled in field.

SSA's Response

SSA agrees in principle with both recommendations and is going to determine how best to implement them.

5.2 Master File Backup Procedures

Both the master files (Alphident and Numident) are kept on carts in the computer room where they are used each day. Each file has a backup file, which is an exact copy of the master, and these are also kept on carts in the computer room. In addition, as a result of the daily processing, accretion records are created for eventual updating of the supplementary files which are also kept in the same area.

Should a fire or other destructive action take place in this computer room, extensive electronic master file loss might occur with no possibility of quick electronic recovery. Should all or part of a master file be damaged along with its respective supplement, recovery would be

^{1/}The header label is an identification record preceding the data records on a file.

both manual and electronic and would take a month or more. Total recovery might be impossible. The loss of data would have an undetermined, but significant effect on virtually all major SSA systems and would also affect some external users.

Recommendation

- Duplicate copies of daily accretion records and backup copies of the Alphident and Numident Master files should be maintained in location geographically separate from the computer center but close enough for timely recovery. The goal should be to allow total electronic recovery of any master file within 48 hours of loss.

SSA's Response

SSA agrees and plans to start storing these files in the tape library. SSA's plan for recovery is not adequate. The tape library is in the same building and on the same floor in the present computer facility. In the new computer facility the tape library is in the same building but on a different floor from the computer and tape drives. If a disaster such as a fire were to destroy the building, all backup would be destroyed. Off-site storage should be maintained separate from the building in which processing occurs.

5.3 Printing of the SSN

In the daily operation, a magnetic tape file (ESPACM) is produced which is used to print the actual SSN cards. Printing takes place on a different computer system than that which processes the initial applications.

The actual printing of the card has taken place on a medium scale system where the line printer used to print the cards is in full view of the operations staff, thereby, ensuring some degree of security. There is a proposal to move the card printing to the large scale computer operation. On

large scale systems, many of the line printers are not under constant supervision.

In addition to a relocation problem, ESPACM tape file processing does not have adequate controls to ensure that the tape is completely printed once and only once. In instances where the blank SSN forms are damaged causing a forms check, or a magnetic tape drive malfunctioned, the operator manually rewinds the tape and/or restarts the job. There is always substantial risk that duplicate cards will not be removed from the printer or that some cards will not be printed at all.

Recommendations

We recommend that:

- The tape file used to print SSN cards, ESPACM, should contain user data that tells the print program exactly how many cards are to be printed. Additionally, the operator should be provided automatic forms alignment routines and restart routines that count each form used and account for each at the end of the job.
- The actual card printing program should be able to check for previous processing of the ESPACM tape before using that tape to print cards.
- The print program should provide an automatically generated report to inform the system manager, computer operations, and mailroom management of input and output statistics such as the number of records on a tape file, forms consumed, and SSN cards printed.
- Whenever the card printing process is being done the printer should be under constant observation.

SSA's Response

SSA agrees with all but one of the recommendations and will develop the controls as we suggest.

However, SSA does not agree with the recommendation that the card print program check for previous processing of the same ESPACM tape. They have a clerical control to prevent double processing.

5.4 Audit Trails

At present there exists no unique identifier that allows the positive linkage of the SS-5 application that triggers a transaction to the interim and permanent computer records of the transaction and finally to the SSN card and stub generated by that transaction.

Throughout this report there are recommendations for the development of audit trails, case control systems, reconciliation devices, quality assurance procedures and management information systems. In order to develop these features the linkage mechanism described above would be very desirable. Such a mechanism would be a valuable tool in the analysis of specific cases for quality assurance, case control, management information, reconciliation, and OIG fraud investigations.

Recommendation

- SSA should study utilization of the data control number concept used in the DODI system for expansion and use as a unique identifier to be printed on the SS-5, carried in all associated electronic records, and finally printed on the card and stub generated by that transaction.

SSA's Response

SSA agrees and is studying this concept as our report recommends.

5.5 Operations Control/Management Information Data

The automated data processing portion of the enumeration system has two major procedures -- ESSRIS and ESSANR -- that comprise the bulk of the daily process. In addition, there are a number of supporting procedures run at varying intervals which update files, maintain tables, and provide statistical reports. The statistical reports, i.e., workload and process reports, give data such as input/output volumes, edit exception volumes, and the number of SSN's assigned.

However, no reports exist that describe in precise terms, the qualitative performance of the system. Our findings indicate that when a failure occurs it is often not recognized, goes unattended and is unreported to the user organization. There is no case control nor case-by-case information system.

A hypothetical case study can be used to show some of the Management Information System deficiencies.

- The ESSRIS daily operation puts out volume statistics. On a typical day statistics may indicate that the Data Operation Centers have input a total of 30,000 records (SS-5 type applications) for this processing cycle. However, this statistic does not delineate between different items among the 30,000.
- Also provided in this statistical report are totals of the number of records for which SSN's were assigned, and the number of records clerically resolved. However, since the system is cyclical, items input to the system today will not have a final resolution before tomorrow at the earliest. Totals provided on the number of SSN's assigned reflect activity that was initiated some time in the past -- not today's input. There is no reconciliation or reporting on the disposition of the specific 30,000 items input this processing cycle.

- Two dates are often used for reporting on average application processing time. These are reference number and cycle date. The reference number has embedded in it the date that the application was microfilmed and reference number assigned. The cycle date is the date on which the computer system assigned the social security number or otherwise "cleared" the transaction. However, in difficult cases age of an application is not available because when an application cannot be resolved electronically or by manual means it is sent back to the originating district office, and the reference number obliterated.
- When a card is undeliverable and destroyed by SSA, no indication of the fact is kept in the master record.

In summary, SSA never really knows how the original 30,000 items are processed once entered into the system.

Recommendation

- SSA should devise a method for accurately accounting for all cases input to the system so as to improve management of the process.

SSA's Response

SSA agrees and will be able to accurately account for all cases once a unified case control system is in place. However, they do not say when this will be.

6.0 SSN's FOR NONWORK PURPOSES

The issues surrounding nonwork SSN's effect not only HHS but the entire Federal government -- both the executive and legislative branches. Universal identifiers came closer to being a reality when SSA made the decision to issue SSN's for non-work-related purposes. The background material that follows is provided to give an understanding of the conflicting philosophies and their impact on SSA's ability to manage the enumeration process.

6.1 Background

The 1972 amendments to the Social Security Act (PL 92-603), in addition to prescribing evidentiary requirements for age, identity, and citizenship or alien status of SSN applicants, stated that the Secretary should assign SSN's:

- "to aliens at the time of their lawful admission to the United States either for permanent residence or under other authority of law permitting them to engage in employment. . .
- "to any individual who is an applicant for or recipient of benefits under any program financed in whole or in part from Federal funds. . .
- "to any individual. . .but only after such investigation as is necessary to establish. . .that such individual is a citizen or non-citizen who is not, because of his alien status, prohibited from engaging in employment."^{1/}

In implementing these amendments, SSA recognized that temporary aliens without work authorization could be required to have SSN's by other Federal, State, local or private organizations; and that the rather narrow definitions in the amendments could disadvantage these aliens if it were interpreted to deny them SSN's. As a compromise, SSA decided to issue such aliens "nonwork" SSN's, annotate the SSA records, and advise INS if earnings were reported. Congressional committees before whom Acting Commissioner Hess testified in 1973 concurred.

Consequently, SSA's Regulation No. 22, revised on March 19, 1974 (and again on February 20, 1979) to include the evidentiary requirements, states that "aliens who are legally in the United States but not under authority of law permitting

^{1/}Section 205(c)(2)(B) of the Social Security Act as amended.

them to engage in employment. . ." may be assigned SSN's, but "only for a nonwork purpose" (§ 422.104). The regulation further states that if an alien without employment authorization wants an SSN for employment purposes, he will be denied an SSN; if he wants the number for a nonwork purpose, the number will be issued. In the latter instance, the regulation states that SSA will annotate the SSN record and notify the Immigration and Naturalization Service if employment is later reported to SSA (§ 422.107).

Neither regulations nor SSA procedures fully define what is meant by "valid nonwork purpose" or what evidence of this purpose, if any, is required. SSA's Enumeration Manual only gives as examples of nonwork purposes: ". . .bank account, driver's license, etc. . ." (§ 360.2A2)

6.2 Policies and Practices in the Field

Our study indicates that in the absence of national guidelines on identification and verification of nonwork purposes for SSN's, some field offices are establishing local policies to meet their varying perceptions of the growing misuse problem. In Washington, D.C., we found that DO personnel are accepting unsubstantiated allegations of nonwork purposes. Most Washington, D.C. DO personnel stated that any nonwork reason was acceptable. Many New York offices, however, appeared far more rigorous in their determination of nonwork reasons, even to requiring documentary proof.

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The differences observed in the two cities are due (1) to a lack of national guidelines on the determination of "valid nonwork purposes," and (2) to a greater awareness in the New York region (through the efforts of the regional security officer) of the widespread misuse. The underlying cause, however, appears to be the inherent contradiction in a policy that says an SSN will be issued because it is so necessary in today's society, but that it cannot be used for employment. SSA has no direct control over the growing use of the SSN as an identifier and has, in fact, taken (and often stated) the position that it "should not unilaterally adopt policies that would push the number and card further toward the status of a universal identification system."^{1/} SSA's position (with Congressional approval) on nonwork SSN's, nevertheless, is an acknowledgement of the widespread use of the SSN as both an identifier and a de facto work permit.

It is clear from the Tax Reform Act of 1976 that while Congress is concerned about misuse, they are not going to curtail current use of the SSN. In spite of this, concern is still high over the problems of illegal aliens and unauthorized alien employment. Evidence of this concern is reflected in the activities of the Select Commission on Immigration and Refugee Policy to develop recommendations for a work eligibility/identification (work-permit) system.

^{1/}"Social Security Number Use and Misuse," a position paper issued by the SSA Policy Council, March 1977, p.8.

All of these conflicting pressures impact SSA with a problem beyond its control. Unless and until higher levels within the Executive and Congress resolve the issues of a universal identifier, however, SSA must deal with the aspects that it can control, rather than leaving the policies and practices up to the regions or local DO's to define and apoly.

Findings from our statistical analysis show a 1300 percent increase in the number of nonwork SSN's issued over the past five years and a 24 percent misuse rate of these numbers (see section 3.0).

Even if the issuance of SSN's for work purposes were entirely error free and aliens could not obtain these numbers without the proper work authorization, the ability to obtain SSN's for nonwork purposes would still leave the system completely open to misuse. Nothing in SSA's systems prevents an alien who obtains an SSN for nonwork purposes from using that number for employment. SSA's Summary Earnings System currently generates and maintains earnings records for all SSN's issued, regardless of whether the SSN is for work or nonwork purposes. Currently, there is no monitoring or enforcement of illegal earnings activity in this system.

Recommendations

To curtail abuse of these numbers the following steps are recommended as a total concept for achieving effective control.

- SSA should develop nationwide developmental guidelines and documentation requirements for ascertaining definitively valid nonwork purposes for SSN issuance, including the research and dissemination of guidelines on when the requirement of issuance of a nonwork SSN may be waived.
- SSA should uniquely identify nonwork SSN's so that they are easily recognizable as such. An example would be to issue all future nonwork numbers with the first three digits being 999 or the middle two being 00. To date, no numbers have been issued with these number configurations (for the remainder of these recommendations these number cards will be referred to as 00 cards).
- All 00 numbers should be printed on tamper-proof card stock so that an alien cannot easily change the number printed on the card.
- SSA should issue 00 cards to all future applicants but not reissue numbers already in existence.
- SSA should provide timely lists of persons issued 00 numbers to INS. (During discussions with INS, they have indicated to OIG that they are interested in testing the utility of this suggestion in a pilot project.)
- SSA should include a systematic indicator routine that would be used to alert INS of infractions whenever earnings are posted to 00 accounts.
- SSA should accompany the change in number with a public information campaign to advertise to the employer community the fact that 00 numbers are for nonwork purposes.

SSA's Response

SSA agrees with the recommendation for developmental guidelines for nonwork purposes for SSN issuance and will refine and expand its national instructions.

SSA states that the recommendation to use the SSN itself is not technically feasible. They state, however, that they are exploring adding a legend to the SSN cards for nonwork numbers and will have a decision on this early in 1991. SSA also agrees to a public information campaign to accompany any change in the card for nonwork numbers.

SSA agrees to notify INS of earnings activity on nonwork numbers now that the Internal Revenue Service has agreed to disclosure of this information. Although INS has never requested lists of nonwork SSNs issued, SSA is willing to consider such a request.

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GAO has recently issued a report: Reissuing Tamper-Resistant Social Security Cards Will Not Eliminate the Increasing Misuse of Social Security Numbers. In this report GAO recommends against reissuing the estimated 200,000,000 active SSN cards on tamper-resistant card stock. They feel that such issuance would not only be costly (close to 2 billion dollars) and logistically cumbersome, but additionally it would not solve the problem of fraudulent SSN card and number use.

We agree with the GAO conclusions regarding reissuance to the entire population. However, our proposal would effect a much smaller population (there have been about 500,000 nonwork SSN's issued to date) and therefore would be much less costly.

We recognize that issuance of tamper-proof "00" cards to future applicants does not address the over half million nonwork numbers in use today nor the overall problem of enumeration fraud. The purpose of this proposal, which recommends use of tamper-proof card stock, is to channel attempts at using fraudulent means to obtain an SSN into the area where more control can be exercised.

Application for a work-related SSN already has a number of safeguards built into the intake process. When recommendations proposed in this study are implemented, the ability to control and deter fraudulent issuance will be significantly increased. Nonwork numbers, on the other hand, do not require

proof of employment authorization and yet can be used for this purpose. By making nonwork numbers less "attractive" to the illegal alien, we will be cutting off the most vulnerable area for SSN abuse.

7.0 CONCLUSIONS

Our review has found a number of problems in the management of all phases of the enumeration system as well as a significant void in internal controls and central guidance to the field. These problems are reflected in the error rates found in our sampling and in the dramatic differences with which two different regions approach the problem of control and fraud deterrents in their field office practices.

7.1 Recommendations to SSA

We have offered proposals for improvement in each area covered. However, understanding the scarcity of resources, we believe that if priority must be given to implementation the following improvements deserve immediate and serious attention by SSA.

- Training

As a first step, all district offices should be given training in document verification and recognition of counterfeit documentation. Some offices have received some training but uniform nationwide education is needed to (a) raise the level of fraud awareness and (b) to perform the enumeration task in a more accurate manner.

- Develop Nationwide Fraud Control Guidelines

We observed some extremely effective practices in various field offices. SSA should institutionalize these practices by bringing together in a national task force key regional personnel with knowledge of

their most effective management initiatives for controlling SSN issuance. This task force should be charged with assisting central office in the development of specific national guidelines for internal control and fraud deterrence in the enumeration system.

- Quality Assurance and Reviews

Nowhere did we find strong and constant management supervision and in-line quality control of the enumeration process. SSA should immediately develop tools necessary to assure that SSN applications are processed with a high level of accuracy and with periodic review by line management as well as by the Office of Assessment.

- Reconciliation

SSA should develop an interim method for reconciliation and case control and at the same time examine the effectiveness of DODI case control features for immediate use throughout all SSN processing. Of particular concern is the lack of reconciliation in the expedite process.

- Risk Assessment of DODI System

After DODI has been operational for two months, SSA should perform formal risk analysis on this process in order to assure that internal controls in any future process are made more effective.

7.2 Recommendations to the Secretary

The role of the SSN has expanded beyond that envisioned 44 years ago at the onset of the social security program. Through legislative pressure and internal regulation, SSA has moved closer to making the SSN a universal identifier. By issuing nonwork SSN's, SSA has recognized the need for this number for purposes not related to SSA programs. However, as findings of this review show, illegal aliens can and do use these numbers unlawfully to gain employment.

We therefore recommend the following steps for Secretarial consideration:

- Examination of the Impact on SSA of the Growth in Use of the SSN

Consider proposing formation of an inter-Departmental task force whose primary mandate would be to address the impact on SSA and the social security trust funds of the emergence of the SSN as a universal identifier and HHS as the de facto National Enumeration Agency. The secondary mission of the task force would be to recommend an alternative to issuing SSN's to aliens for nonwork purposes.

- Legislative Proposal

Consider proposing to the Congress that amendments to the Social Security Act be made to increase the maximum monetary penalty for SSN fraud from \$1,000 to \$5,000 and to put a specific provision into the Act that would make it illegal to counterfeit, alter, buy, or sell social security numbers and cards.

NOTE:

Attachments A through D, which are bulky technical documents, have been deleted for economy reasons. However, these are available on request to the Inspector General's Office.

Attachment E

SSA's COMMENTS
ON THE
OIG DRAFT REPORT

MEMORANDUM

E1
DEPARTMENT OF HEALTH AND HUMAN SERVICES
SOCIAL SECURITY ADMINISTRATION
AM-1

TO : Mr. Bryan B. Mitchell
Acting Inspector General

DATE: February 4, 1981

REF: SLE11

FROM : Herbert R. Doggette, Jr. ^{HRD}
Acting Commissioner of Social Security

SUBJECT: OIG Draft Report on the Social Security Number Issuance System--
Your Memo Dated 11/3/80--INFORMATION

SSA comments on the subject draft report are attached. We appreciate the opportunity to provide these comments before publication of the report.

Attachment

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SOCIAL SECURITY ADMINISTRATION COMMENTS ON OIG DRAFT REPORT ON THE
SOCIAL SECURITY NUMBER ISSUANCE SYSTEM

General Comments

We agree with most of the management and systems findings and recommendations in this draft report, given the current social security number (SSN) environment. From this standpoint, the OIG report has been useful to us because it has assembled a lot of information not so well organized before, and it has stimulated many ideas for improvement--particularly in security over the process. As discussed in detail below, we have already corrected many of the problems mentioned in the draft report, and corrective action on others is in the works.

At the same time, however, we believe that the current SSN environment itself is cause for concern--much greater concern than this draft report acknowledges. The SSN was developed as a recordkeeping control for the social security program. Yet increasingly it is being used for purposes and processes it was never designed to serve. The paramount message of the OIG draft report seems to be that the SSN does not now represent an effective worker identification number because it does not prohibit aliens from working when they are not authorized to work. The report recommendations are made from this vantage point--how to make the SSN an effective alien control number. We think this approach begs two fundamental questions: Is the SSN really the best way to control alien employment? Are the social security trust funds the proper vehicle for financing alien work control? In skipping these questions, the OIG draft report calls for some recommendations to be implemented that would involve large costs--far beyond the resources SSA has now or could possibly justify as needed and cost-effective in the social security programs.

The issue of a universal identifier is a controversial one and one that is not within SSA's province to resolve. While overall national policy on development and use of a universal identifier has never been too clear, this Department has always shied away from endorsing the idea. Even so, the SSN is becoming this nation's universal identifier and the OIG recommendations are consistent with that fact. However, this is happening by default and without the efficiencies and protections a universal identifier system should have. Furthermore, the social security trust funds are bearing costs which probably ought to be shared with other programs and processes. To be sure, this basic issue is not ignored completely--there is a brief discussion of it deep in the body of the report. But the fact that it has so little visibility or consideration helps give the report a certain lack of perspective.

There is also an emphasis on fraud in the draft report which may mislead. The title of the draft report suggests the report has

wider scope than it has. Whereas the title implies that the report is on the SSN issuance system in general, the report's complete background statement is a recitation of five fraud cases. These are not to be taken lightly; still, there is no recognition given either to the size of the fraud workload in relation to the total SSN workload (infinitesimal) or to the fact that none of the fraud cases cited involved cash benefits.

OIG Recommendations on Fraud Awareness

Institute an information network to all regional and field offices to raise the level of fraud awareness nationwide.

Coordinate and disseminate regional efforts in fraud control so that locally effective means of control can be shared by field offices.

SSA Comment

We agree that additional instructions, information materials and training are needed to further sensitize SSA employees nationwide to the problems of SSN fraud. Our Office of Security and Program Integrity is developing a comprehensive employee-aimed awareness program on systems security and employee integrity. This program is designed to increase both management and employee awareness of the need for preventing, detecting and reporting violations involving systems security, program integrity and employee misconduct--including violations occurring in the SSN issuance process. In addition, we are in the process of developing a series of training packages and video tapes for field employees on the whole enumeration process--from the completion of the application form to the issuance of the social security card. This training material, drawing on the best practices developed by SSA regional and local offices, will stress the need for SSA employees to look for and identify attempts to obtain SSNs by fraud.

OIG Recommendations on Evidence Certification and Document Training

Embark on an intensive nationwide program of training district office personnel involved in enumeration to recognize and be familiar with all types of evidentiary documentation--both valid and invalid--and to understand and be conversant with INS rules and regulations with respect to work authorization.

Institute a quality assurance program for enumeration to systematically and periodically validate SSN applications and accompanying evidentiary documentation.

Establish quality standards for SSN applications and issue guidelines to field management for quality control of the enumeration process to review for both fraud and accuracy considerations.

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Institute separation of duties where practical in the enumeration process to ensure that there is at a minimum either in-line review of the application and supporting documents or end-of-line verification by an independent process.

SSA Comment

As noted in response to the last set of recommendations, SSA is developing a series of nationwide training programs on the SSN issuance process. The first phase was recently completed with the preparation of a written training package and video tape on the proper completion of the new form SS-5 application for an SSN. The second phase of the training will cover SSN evidence requirements. We are working with INS to develop procedural guidelines that will assist district office personnel in evaluating the authenticity of INS documents. These guidelines will also provide instructions on retaining questionable documents and checking them with INS. Once the procedures have been approved by INS they will be distributed to SSA offices nationwide. It should be noted that nationwide training on recognizing fraudulent documents will not be effective without intensive efforts at the regional, area and local office level as well. Birth and marriage records, for example, are too diverse from State to State to be appropriately addressed in a single national training package. For this reason we will continue to stress regionally-initiated training too.

We agree that a comprehensive quality assurance system is needed in the enumeration area; indeed this is a long-standing SSA objective. We are now working on designing the elements of such a system. One element of the system is already in place. Our Office of Assessment is now conducting a 0.5 percent end-of-line sample review of all SSN applications. The review is conducted centrally where the SSN is actually issued. The purpose of the review is to measure the accuracy and timeliness of the central enumeration system in processing the data contained on the application. We will shortly expand the current review to include measurement of district office effectiveness in sending forward SSN applications that are processable and error-free. Beginning in the spring we expect to begin getting recurring statistics from the management information system on clerical completion accuracy on a national, regional and district office basis. This will permit field accuracy to be measured--and standards of accuracy to be set--on an ongoing basis.

We recognize, however, that all the elements of a comprehensive quality assurance system will not be in place until we begin measuring what kind of a job field offices are doing in "adjudicating" SSN applications. Are applicants presenting the evidence of identity, birth and nationality that is required to get an SSN? And are the evidentiary documents being presented true documents that belong to the applicant? We are now designing a special study under which we will "redevelop" a sample of SSNs from application to issuance. The purpose of this study will be not

only to measure the quality of the SSN and the supporting evidence but also to ascertain the feasibility and cost of instituting such a quality assurance operation on an ongoing basis. The potential cost-intensiveness of a complete SSN quality measurement system--at a time when resources are scarce and such systems are not yet fully in place in all of the cash benefit programs--is what has inhibited implementation of such a system up to now. As for the recommendation to impose separation of duties in the adjudication of SSN applications in field offices, resource constraints flatly rule this out for now; if the resources were there, we would be tempted to spend them first on assuring separation of duties in the adjudication of claims for cash benefits.

OIG Recommendations on Forms and Mail Control

Institute a control system so that each application when transmitted from the DO to the first central processing point can be accounted for. It should, at a minimum, uniquely identify SSN applications as originating in a specific DO, include volume counts per shipment, and provide feedback to the DO on the number of items received.

Limit accessibility of SS-5 application forms by withdrawing them from non-SSA organizations and components.

Alter the automated system so that it will only accept for processing applications that include a valid District Office Code, rejecting all applications not containing valid DO codes.

SSA Comment

We agree in principle that a case control system is needed to track and reconcile SSN applications through the enumeration process, and we will examine how this can be done in the current expedite process consistent with our efforts to develop a more efficient future process. We will also look into ways to limit access to SSN application forms, if it can be done without disrupting service to the public--this is a serious question in locations where there are few social security offices. We will also determine for the future process the impacts on processing of establishing an automated reject of SSN applications based on a range check of validated district office codes. We have carefully studied the idea of making this change in the current expedite process and found that it is not feasible.

OIG Recommendations on SSN Issuance via the Expedite Process

Develop effective computer follow-up for all outstanding expedite SSN applications.

Develop a Management Information System report to provide DO management with total volumes of expedite usage.

Develop an automated mechanism for reconciliation of expedite traffic received at central office with authorized expedite applications sent from DO's.

SSA Comment

We will develop stringent controls over the future process, but we are not in a position to retrofit costly stopgap controls onto the current expedite process. We are in the process of developing a new management information report for all field offices on their SSN workload activity--including the number of expedite cases processed.

OIG Recommendations on District Office Direct Input (DODI)

Conduct a formal risk assessment of DODI to evaluate operational security effectiveness and the potential risks of improper SSN assignments in the DODI process.

Develop a DODI weekly computer-generated report to be sent to field office managers. The report should contain a list of all applications which have begun processing or have successfully generated SSN's from that office that week.

The alerts sent from DODI after 45 days should be transmitted to the DO, not the DOC.

An edit should be provided which would compare the district office code supplied by the user with that generated by converting a hardware address to a district office code. Where this edit is not successful the transaction should be rejected and a report sent to the Regional Security Officer. Alternatively, the user should not supply the district office code. Only that generated by converting the hardware routing indicator address should be used.

Flag all records on SSA master files where the SSN is not supported by an SS-5 and generate a periodic report to be sent to the Office of Assessment containing a listing of these records.

Make provision for an alert to be generated whenever an attempt is made to post earnings or establish a claim against a flagged number.

SSA Comment

Our Office of Assessment is now conducting an audit of the DODI pilot, which is scheduled to begin in February 1981 in 48 offices of the Dallas region. Since our audit is already underway, since a risk assessment of the whole enumeration process was just completed, and since the Office of Operational Policy and Procedures will be closely monitoring the DODI experiment, we do not plan a separate risk assessment of DODI at this time. A comprehensive summing up of the pilot is due in June.

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With respect to OIG's detailed recommendations for revisions in DODI before the pilot starts, it is too late to make any substantial systems changes in the pilot itself. Nevertheless, our present thoughts on the specific recommendations (although they may be changed as pilot experience is gathered) are as follows:

We are looking into the possibility of electronically generating periodic (e.g. daily) input counts to field office managers, with production of an itemized breakdown upon demand. For the longer term, intelligent computer terminals would provide field office managers with a record of each application as it progresses through each stage from input to issuance.

The DODI design provides for alerts to the DOC rather than the field office because we believe the DOC is the easiest and most likely place to start looking for the missing application. The DODI design provides for generating 45-day alerts to the DOC because it is most likely that one of the following occurred: (a) the applications were delayed in the mail; (b) the DOC received the applications but was late in keying the partial records; (c) the DOC miskeyed the records but was unable to reconcile the errors before alerts were generated; or (d) the DOC was unable to locate the records in time on the Control and Pending File before alerts were generated. We believe these circumstances will occur far more often than instances of field office fraud or where applications are simply mailed in late from the field. In either of these latter circumstances, however, the DOC will be following up with field offices on missing applications. Additionally, field offices will be notified again (after 90 days) should the applications remain missing. Although we believe the case is strong for sending 45-day alerts to the DOC, we will not hesitate to change the alert priority to the field offices if pilot experience so dictates.

With regard to the suggested comparison of the district office codes supplied by the users with those generated by converting hardware addresses to district office codes, we will explore the impacts of this proposal during the pilot. The alternative proposal--eliminating the users as the suppliers of the district office codes--is not feasible.

Under the DODI pilot each record that is not supported by an application already is in effect a flagged item, and we plan to use these flags to monitor the effectiveness of the application followup process.

We also agree with the concept of establishing an alert system for earnings or claims on a flagged SSN. However, we will need to determine how best to implement such a procedure.

OIG Recommendations on Additional Telecommunications Safeguards

Develop a system of personal identification for transaction authorization that will be part of an automated history file for all enumeration transactions which originate from telecommunications terminals.

Revise the system security matrix to restrict components and agencies other than SSA district and branch offices from originating enumeration transactions--either DODI or expedite.

Insure that a record of all enumeration telecommunications transactions is kept.

Restrict users of the telecommunications system through both management directives in the DO and through use of a password system.

Develop an automated audit trail to include a permanent record containing names of DO employees responsible for application intake as well as application data transmission.

Develop a software mechanism to prohibit use of alternate mode in all enumeration transactions except through use of an automated management override.

SSA Comment

We agree that additional safeguards should be built into the telecommunications system to protect the enumeration process against fraud. We are in the process of testing and evaluating a system of personal identification for transaction authorization, starting with high-risk cash benefit transactions. Extending this system to other transactions such as enumeration traffic is a long-term objective. We agree in principle that the system security matrix should lock out all but district and branch offices from originating enumeration transactions, and this is a long-term objective. In the meanwhile, we are changing the security matrix under the present expedite system to lock out the Puerto Rico Disability Determination Service. [See OIG note, p. E17]

The recommendation to restrict field office access to the telecommunications system through management directives has already been implemented. In addition, we are developing a "log-on, log-off" requirement for terminal users that will further protect

against unauthorized transactions. Our Office of Assessment has a project underway to develop functional requirements for automated audit trails for telecommunications transactions. The focus of this effort to start with will be to design and implement audit trails on initial claims transactions in the cash benefit programs, because that is where we perceive the fraud risk to be the most serious. We agree that automated audit trails for the enumeration process are also desirable, and we will incorporate this objective in our longer-range systems security planning.

Our Office of Assessment will examine the need for the "Alternative Mode" telecommunications capability and how it is actually being used, with a view to tightening up on the procedure if it is being abused. It should be noted that SSA Regional Security Officers now receive regular reports of all "Alternative Mode" traffic in their area for investigation of questionable patterns.

OIG Recommendations on the Emergency SSN Issuance Process

The Emergency SSN Issuance Process should be utilized for emergency situations only and written justifications be provided for each SSN assigned. Congressional requests for special handling should be refused unless the request is a result of a constituent's complaints of excessive delays in receiving an SSN.

The Critical SSN Services Section should perform periodic follow-up to assure that all SSN applications have been received.

Management should ensure that all possible sources showing social security numbers issued are examined prior to issuance of a new SSN.

The Office of Assessment should conduct periodic reviews of the emergency SSN issuance process to assure that it is not being used for purposes other than urgent need and that proper controls are utilized.

SSA should develop detailed criteria defining "emergency" for inclusion in the operating instructions used by the Critical SSN Services Section.

SSA Comment

We disagree with the recommendations to require written justification on all emergency requests and to turn down each Congressional request that is not fully documented to be the result of constituent complaints of excessive delay. We believe both recommendations are faulty because they would take away the flexibility that is the essence of any emergency procedure. To require written justification would undercut the procedure by slowing it down. If a new employee is about to be fired unless an SSN is issued immediately and the local social security office is unable to talk the employer into waiting for an SSN to be produced through the expedite system, it is not helpful to ask the local

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office to put the request in writing. Similarly, when members of Congress make an emergency request for an SSN--either directly to the Critical SSN Services Section or through SSA management--it is not always opportune to quiz them in detail about the comparative merits of their request. We also think OIG's two policy recommendations are unneeded because emergency requests already are very carefully screened--for all of 1988, fewer than 380 emergency numbers were issued.

We agree that the Critical SSN Services Section should follow up to assure that SSN applications are received for emergency SSNs that have been issued. Our Office of Central Records Operations has implemented procedures and controls to see that the paper applications are sent in. As recommended, we have taken action to make sure that all records of existing SSNs are checked before issuance of a new SSN. The Office of Central Records Operations has also begun conducting a periodic quality review of the SSN emergency process. We agree with OIG that this periodic review will help assure that the procedure is being used only in emergencies and that proper controls are in place. We believe this kind of an ongoing review process, with Central Records Operations managers as the reviewers, will be as effective as using Office of Assessment reviewers as OIG suggests.

We agree that internal operating instructions in the Critical SSN Services Section should include specific guidelines for deciding whether to approve or deny a request for an emergency number. We will review existing instructions and strengthen them as necessary. However, as indicated earlier in our comments, we do not plan to set hard and fast rules that would eliminate the flexibility and responsiveness of the emergency SSN process.

OIG Recommendations on Controls Over Blank SSN Card Stock

Future contracts for printing of cards should contain a provision for an SSA representative on-site during the printing of SSN cards.

When they are not in use, camera copy and negatives for printing SSN cards should be maintained in a secure container at SSA.

To ensure accountability for blank stock, cards should contain sequential numbers to be used for identification of missing cards and for use by DO's in accounting for individual cards on hand.

All SSA components in possession of blank SSN card stock should maintain inventory control ledgers to identify movement, and use of cards on hand.

Warehouse personnel should conduct monthly inventories of all blank SSN stock in storage.

The Office of Assessment should conduct an annual physical inventory of blank SSN stock in storage in all components.

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SSA should insure that employees who work with SSN cards lock them in secure areas when they are not being processed.

SSA should improve control over documentation supporting the requisition, shipment, and return of blank SSN cards.

SSA should revise its requisition system to limit orders of blank SSN card stock to that which reflects usage patterns of each component.

SSA Comment

We have made extensive enhancements in controls over blank SSN cards since OIG examined this area, and we are considering additional steps to strengthen card controls. In February 1980, all SSA components that handle blank SSN cards--including all field offices--began developing security plans for SSN card stock. These security plans are now in effect in all regions and in all central office organizations that are involved in maintenance and use of the cards. The most far-reaching potential improvement lies in District Office Direct Input of SSN applications. Under the DDOI methodology that will be tested beginning in February 1981, all SSN cards are to be issued centrally. DDOI holds the promise of allowing SSN card stock to be taken out of local social security offices altogether, which would simplify control problems immeasurably.

We are looking into the idea of stationing SSA representatives onsite during the entire SSN card printing production cycle as suggested by OIG. As an alternative we are also considering building full security requirements into the printing contract itself--printing in caged areas, security clearances for printers, shipments in sealed trucks, etc. This approach is used for checks and would probably be the most effective means of establishing security over the production process. The drawback is costs. GPO estimates that such a contract would add 75 percent--about \$125,000--to annual SSN printing costs.

We agree that the SSN camera copy and negatives should be maintained in a locked storage area at SSA, not kept at the printers. We are instructing GPO to amend the printing contract accordingly. We also agree that sequential numbering would provide added control during the production and handling of blank SSNs. In fact, the projected costs of sequential numbering are already figured in the \$125,000 estimate that is cited above.

We generally concur in the recommendations for improved controls over the storage, movement and use of SSN cards. Measures such as maintaining inventory control ledgers, lock-up of SSN cards when they are not being processed, and conducting more frequent physical inventories are characteristic of the card security plans that have been implemented throughout SSA. For example, in August 1980 our Office of Central Records Operations installed a new inventory control system to monitor the movement and use of blank cards and

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to limit reorders to essential pipeline needs. However, we do disagree with two of the inventory control recommendations. We do not plan to conduct a workpower intensive annual physical audit of SSN card stock in all SSA offices because of a lack of audit resources; we would not object to such an audit by OIG, though. We also do not favor the recommendation to automatically limit SSN card orders from individual offices to some percentage of historical use. While it is technically feasible, the recommendation would require very substantial changes in the whole requisition system which we believe would be out of proportion to their value.

OIG Recommendations on Edit Routines

The edit program should ensure that no tape is accidentally or purposely processed more than once. The edit program should also be modified to check the user data of the header label prior to reading the data records.

The edit program should be refined to include a check on valid DO code, not just a filled-in field.

SSA Comment

We agree in principle with both these recommendations and our Office of Systems is now determining how best to implement them, given the severe technical problems they present. For example, the edit program must be able to accommodate occasional instances when a job needs to be restarted or rerun for a legitimate reason, such as equipment failure.

OIG Recommendation on SSN Master File Backup Procedures

Duplicate copies of daily accretion records and backup copies of the Alphident and Numident master files should be maintained in a location geographically separate from the computer center but close enough for timely recovery. The goal should be to allow total electronic recovery of any master file within 48 hours of loss.

SSA Comment

We agree additional protection is needed. The Office of Systems will start storing these records in the tape library, which is accessible enough to permit timely recovery.

OIG Recommendations on the Printing of the SSN

The tape file used to print SSN cards, ESPACH, should contain user data that tells the print program exactly how many cards are to be printed. Additionally, the operator should be provided automatic forms alignment routines and restart routines that count each form used and account for each at the end of the job.

The actual card printing program should be able to check for previous processing of the ESPACM tape before using that tape to print cards.

The print program should provide an automatically generated report to inform the system manager, computer operations, and mailroom management of input and output statistics such as the number of records on a tape file; forms consumed; and SSN cards printed.

Whenever the card printing process is being done the printer machine should be under constant observation.

SSA Comment

We agree that the ESPACM tape file should be used to--in effect--count out SSN cards, and our Office of Systems will develop the controls that the draft report recommends.

We disagree with the recommendation that the card print program should check for previous processing of the same ESPACM tape. A clerical control already is in effect to prevent double processing. In our judgment an automated check would present serious technical difficulties.

We agree that the card print program should generate input and output statistics and we will develop that report. We also agree that SSN cards should continue to be printed only under the constant supervision of a computer operator; we have no plans to do otherwise.

OIG Recommendation on SSN Audit Trails

SSA should study utilization of the data control number concept used in the DODI system for expansion and use as a unique identifier to be printed on the SS-5, carried in all associated electronic records, and finally printed on the card and stub generated by that transaction.

SSA Comment

We are now studying this concept as OIG recommends.

OIG Recommendation on Operations Control and Management Information

SSA should devise a method for accurately accounting for all cases input to the system so as to improve management of the process.

SSA Comment

We agree. We will be in a position to provide reliable case-by-case information on what is happening at the different stages of the enumeration process once a unified case control system is in place.

E14

OIG Recommendations on SSNs for Nonwork Purposes

SSA should develop nationwide developmental guidelines and documentation requirements for ascertaining definitively valid nonwork purposes for SSN issuance, including the research and dissemination of guidelines on when the requirement of issuance of a nonwork SSN may be waived.

SSA should uniquely identify nonwork SSNs so that they are easily recognizable as such. An example would be to issue all future nonwork numbers with the middle two numbers being 00. All 00 numbers should be printed on tamper-proof card stock so that an alien cannot easily change the number printed on the cards. SSA should issue 00 cards to all future applicants but not reissue numbers already in existence.

SSA should provide timely lists of persons issued 00 numbers to INS.

SSA should examine the legality and the feasibility of eliminating the crediting of earnings for individuals who are accruing such earnings by use of 00 numbers. If the law prohibits elimination of crediting earnings to illegal aliens, SSA should include a systematic indicator routine when such postings are made that would be used to alert INS of infractions.

SSA should accompany the change in number with a public information campaign to advertise to the employer community the fact that 00 numbers are for nonwork purposes.

As an alternative to tightening security over the nonwork number and card, SSA should consider discontinuance of issuing nonwork SSNs to aliens.

SSA Comment

We are very much aware of the problem of aliens misusing nonwork SSNs, and we have implemented or are implementing all of the operational recommendations. We have serious reservations, however, about several draft recommendations for far-reaching changes in public policy--recommendations which in any case would be more appropriately addressed to the Secretary than to SSA.

We agree that nationwide guidelines to local social security offices on deciding whether to approve an application for a nonwork SSN should be refined and expanded. Our Office of Operational Policy and Procedures (OOPP) will do that. However, these guidelines will continue to recognize that State and local requirements for SSNs vary, and that there can be no national substitute for SSA field office expertise. It is not practical, for example, for a national instruction to cover which local school districts require an SSN for enrollment, and which don't.

E15

OOPP is actively reviewing the issue of whether SSA should specially identify a nonwork SSN card so that it will be easily recognizable as such. The alternative we are considering is to stamp each nonwork SSN card with a legend such as "THIS NUMBER IS NOT VALID FOR EMPLOYMENT." At this time it is not technically feasible to use the number itself to distinguish nonwork SSNs from other SSNs. If we do add a nonwork legend to new nonwork SSN cards, we agree with OIG that cards already issued should be left alone. OOPP is in the final stages of preparing a decision paper on all known options for addressing the nonwork SSN problem, including the special identification of nonwork SSNs. The decision paper is expected in early 1981. It will not, however, recommend development of a tamper-resistant card for nonwork SSNs, which would bring the social security card closer to being a work authorization document.

[See OIG note, p. E17]

We agree with OIG that SSA should resume notifying INS when earnings are credited to a nonwork SSN. Notification was stopped at IRS' behest as a result of the Tax Reform Act of 1976. We have now reached agreement with IRS and with INS to resume these notices. We will work out the mechanics of the notification process—including the detailed systems specifications—by the end of this fiscal year. As for the recommendation to also notify INS whenever a nonwork SSN is issued, INS never has asked for this information. However, we would definitely give full and serious consideration to any INS request for the information.

We agree that any change in nonwork SSN cards to make them easily recognizable as invalid for employment should be accompanied by a public information campaign geared to employers. SSA public information activities would be an integral part of any plan to implement such a change.

[See OIG note, p. E17]

OIG Recommendations on Overall Priorities

Understanding the scarcity of resources, we believe that if implementation of our recommendation must be prioritized, the following improvements deserve immediate and serious attention:

Training. As a first step, all district offices should be given training in document verification and recognition of counterfeit documentation.

Nationwide Fraud Control Guidelines. SSA should institutionalize successful field practices by bringing together a national task force of key regional personnel to assist central office in the development of specific national guidelines for internal control and fraud deterrence in the enumeration system.

Quality Assurance and Reviews. SSA should immediately develop tools necessary to assure that SSN applications are processed with a high level of accuracy and with periodic review by line management as well as by the Office of Assessment.

Reconciliation. SSA should develop an interim method for reconciliation and case control and at the same time examine the effectiveness of DODI case control features for immediate use throughout all SSN processing. Of particular concern is the lack of reconciliation in the expedite process.

Risk Assessment of DODI System. After DODI has been operational for two months SSA should perform formal risk analysis on this process in order to assure that internal controls in any future process are made more effective.

Nonwork SSNs. Illegal aliens can and do use these numbers unlawfully to gain employment. We therefore recommend that SSA seriously study the alternative of ceasing to issue nonwork SSN's. We also recommend that the Secretary initiate an intra-agency study to resolve the conflict with which RHS is being faced, i.e., as the de facto National Enumeration Agency.

SSA Comment

We agree that priority emphasis in the administration of the enumeration process should be placed on training, improved fraud control guidelines, expansion of the quality assurance program, and development of improved reconciliation and case control procedures. We believe an SSA-wide task force on SSN fraud control could be of more potential value after--rather than before--the completion of a half-dozen key SSN initiatives now underway that will significantly alter the enumeration process.

We agree that the District Office Direct Input pilot should be examined to make sure the future SSN process incorporates adequate internal controls. As stated earlier, we believe that the best approach to this objective lies in the DODI systems audit that is now taking place combined with the hands-on monitoring that the pilot will undergo. As for the recommendation that SSA unilaterally study the possibility of not issuing SSNs for nonwork purposes, we believe this subject would be more appropriate as a component of the RHS-wide study OIG is recommending to the Secretary.

E17

Other Matters

Some of the numbers in the draft report are misleading. In several places the report talks about finding that--of SSNs issued to aliens--28 percent were incorrectly coded by SSA. It turns out the INS national records system was searched for information on a sample of people who were issued SSNs in Washington and New York. Where the information on the INS national system did not jibe or was not available, the auditors chalked it up as incorrectly coded by SSA, without knowing or checking what INS document issued locally or abroad may have been used in support of the SSN application.

OIG Note: Deleted comments refer to recommendations in the draft report which have been revised in the final report.



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